



Statutory Guidance

Financial arrangements for cathedrals

Guidance on:

- (1) Arrangements for providing oversight of finance and risk management; and
- (2) setting Terms of Reference for a Finance Committee and an Audit and Risk Committee.

1. Introduction

Section 5(1)(i) and (j) of the Cathedrals Measure 2021 (the “**2021 Measure**”) requires Chapters to set up a Finance Committee and either:

- to set up a separate Audit and Risk Committee; or
- to make whatever arrangements are necessary to ensure appropriate management of risk and oversight of its internal and external audit, given the size and complexity of that cathedral’s financial affairs and the nature of its activities.

Section 5(6) of the 2021 Measure requires Chapters to have due regard to any guidance issued by the Church Commissioners on the financial affairs of cathedrals.

Section 16(10) of the 2021 Measure requires the Statutes of each cathedral to make provision as to the composition, functions and proceedings of the Finance Committee and (if there is one) of the Audit and Risk Committee. In addition, section 16(8) of the 2021 Measure requires the Chapter to have due regard, when providing terms of reference to the Finance Committee and (if there is one) to the Audit and Risk Committee, to any guidance issued by the Church Commissioners on the responsibilities of a Finance Committee and of an Audit and Risk Committee.

This guidance is produced by the Church Commissioners pursuant to sections 5(6) and 16(8) of the 2021 Measure. In accordance with sections 5(7) and 16(9) of the 2021 Measure, the Church Commissioners have consulted the AEC and CAFA, being such bodies as appear to the Church Commissioners to represent cathedrals in relation to their financial affairs. The appendices to this document do not form part of this guidance.

The Chapter must have ‘due regard’ to this guidance

When deciding on what may be suitable arrangements for these purposes, the Chapter is required by section 5(6) of the 2021 Measure to have due regard to any guidance issued by the Church Commissioners on the financial affairs of cathedrals.

When providing terms of reference to the Finance Committee and (if there is one) to the Audit and Risk Committee, the Chapter is required by section 16(8) of the 2021 Measure to have due regard to any guidance issued by the Church Commissioners on the responsibilities of a Finance Committee and of an Audit and Risk Committee.

The legal duty to have due regard means that the Chapter is not free to follow this guidance or not as the Chapter may choose. As a matter of law, this guidance should be given great weight and must be followed unless there are 'cogent reasons' for not doing so.

2. The responsibilities of Chapter

The members of the Chapter, as the trustees of the charity, have ultimate responsibility for the decisions and actions of the charity. However, as the members of the Chapter cannot and should not undertake all the Chapter's functions directly, they need to delegate certain responsibilities and functions to committees and the appropriate members of the senior management group. The 2021 Measure requires the Chapter to set up a Finance Committee, and either to set up an Audit and Risk Committee or to make alternative suitable arrangements to delegate these aspects of the Chapter's role, whilst retaining ultimate responsibility and oversight. The purpose of these delegations is to provide detailed scrutiny of key matters and to recommend a course of action to the Chapter¹. This may help the Chapter to focus its time effectively and also allows specialised areas to be scrutinised by committee members with the requisite skills and experience needed for proper review of the material to be brought before that committee.

The 2021 Measure also gives Chapters the flexibility to set up additional committees or sub-committees to create a committee structure that meets their needs. In so doing, Chapters must:

- consider which of their responsibilities are suitable for delegating to a committee or sub-committee;
- ensure that written terms of reference are in place which set out the parameters of what is being delegated;
- ensure that there are appropriate reporting mechanisms in place so that the Chapter has sufficient oversight of the work of each committee and sub-committee; and
- ensure that arrangements are in place to provide for information sharing between the Chapter, the committees and any sub-committees to assist them to discharge their respective responsibilities.

The model terms of reference in Part 6 of this guidance provide examples of which areas could be delegated to the Finance Committee and, where there is one, to the Audit and Risk Committee. However, both model terms of reference delegate decision making power in very few cases. Instead, they provide for the delegation of scrutiny of key matters and require the relevant committee to make recommendations to Chapter to inform Chapter's decision making. Although the Chapter should review the detailed work performed by a committee or sub-committee and consider any recommendations made by it when the Chapter makes its decisions, it is important that key financial decisions are taken collectively by the Chapter and not by a committee.

The model terms of reference require the members of the Finance Committee and the Audit and Risk Committee to have appropriate skills and experience so that each committee has the collective skills and experience it needs to undertake the functions delegated to it. If some Chapter members have the appropriate mix of skills and experience needed for either committee, then it may be appropriate to appoint some or all of those individuals as members of the relevant committee. However, the Chapter may (and must for the Audit and Risk Committee) appoint some people who are not Chapter members to these committees to ensure that each committee as a whole has the requisite balance of skills and experience.

¹ See Para 3.6 CC27: [it's your decision: charity trustees and decision making - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/its-your-decision-charity-trustees-and-decision-making)

3. Choosing an appropriate structure for your cathedral

Section 5(1)(i) and (j) of the 2021 Measure requires Chapters to set up a Finance Committee and either to set up a separate Audit and Risk Committee or to make whatever arrangements are necessary to ensure appropriate management of risk and oversight of its internal and external audit, given the size and complexity of that cathedral's financial affairs and the nature of its activities. Section 5(1)(i) and (j) is set out in Appendix 1 to this guidance.

Each Chapter will need to decide whether to have an Audit and Risk Committee taking into account its specific circumstances, such as its size, complexity and the nature of its activities. The larger the sums involved and the more complex its activities and structure are, the more likely it is the cathedral will need, and have the resources to support, an Audit and Risk Committee. An Audit and Risk Committee creates an opportunity for additional independent expert input into the Chapter's risk and control framework. It adds value through discussion of these aspects of the Chapter's governance in a more focussed way than would otherwise be possible.

The 2021 Measure sets out the minimum requirements for Chapters. Therefore, Chapters may make such additional arrangements as they consider necessary to ensure appropriate management of risk and oversight of its internal and external audit, given the size and complexity of that cathedral's financial affairs and the nature of its activities. For example, if a cathedral has a significant investment and/or property portfolio, the Chapter may consider it appropriate to create an investment committee and/or a property committee, which could be sub-committees of the Finance Committee, to specifically scrutinise those areas. Another example would be where a cathedral's operations are particularly large and complex, in which case a Chapter may consider it appropriate to appoint an internal auditor to support the work of the Audit and Risk Committee.

4. Finance Committee and an Audit and Risk Committee

The Finance Committee focusses on the financial strategy, policies and procedures of the cathedral. It is responsible for areas such as reviewing budgets, in-year financial reports and monitoring investment performance.

The Audit and Risk Committee is responsible for monitoring risk management and reporting to the Chapter as to whether there are adequate systems and controls in place to mitigate key risks. The end of year financial statements are scrutinised by the Audit and Risk Committee. Larger cathedrals may wish to involve an internal auditor to assist with providing information to the Audit and Risk Committee to help it scrutinise the risk management framework.

The Audit and Risk Committee must be able to monitor and evaluate the risk management process within the cathedral with a degree of independence from the financial decision-making processes. Therefore, although the membership of the Audit and Risk Committee must include at least one non-executive Chapter member², an executive Chapter member should not be a member of the Audit and Risk Committee³.

It is also important that the respective membership of the Finance Committee and the Audit and Risk Committee preserves the independence of the Audit and Risk Committee. For example, the 2021 Measure prevents these two committees from sharing a chair⁴, as the chair of the Finance Committee must be a non-executive Chapter member and the chair of the Audit

² See s.16(5) of the 2021 Measure.

³ s.16(3) of the 2021 Measure prevents the Dean from being a member of either the Finance or the Audit and Risk Committee.

⁴ See s.16(2) and s.16(4) of the 2021 Measure.

and Risk Committee must not be a Chapter member. In addition, it is not good practice for the two committees to share a majority of common members.

Chapters should ensure there are appropriate mechanisms in place to keep the Audit and Risk Committee informed of relevant issues that may be considered by the Finance Committee or the Chapter. Chapters could achieve this in a number of ways, for example:

- the Finance Committee and the Audit and Risk Committee could have a common member to report to the Audit and Risk Committee on the discussions held by the Finance committee; or
- one or two members of the Audit and Risk Committee could attend Finance Committee meetings as observers on a rotational basis.

The meetings of the Finance Committee and the Audit and Risk Committee should be held at appropriate times in the audit, budget and reporting cycles. Meetings should be held in advance of the Chapter's scheduled meetings, so that the Chapter can consider the reports and recommendations of both Committees at its meetings.

5. Finance Committee and other arrangements

Where the Chapter does not set up an Audit and Risk Committee, the 2021 Measure requires the Chapter to *"make whatever arrangements are necessary to ensure appropriate management of risk and oversight of its internal and external audit, given the size and complexity of that cathedral's financial affairs and the nature of its activities."*

There are limited functions that sit within the Audit and Risk Committee's responsibilities that may properly be delegated to the Finance Committee in this situation, such as scrutiny of the end of year financial statements. This would include receiving the report of the external auditor and inviting them to attend the meeting to comment on the financial statements. However, the Chapter cannot delegate many of the functions of the Audit and Risk Committee to the Finance Committee, as there would be a lack of independence of the risk management function and the risk function does not only relate to financial matters.

Where there is no Audit and Risk Committee, the Chapter would need to provide for how it will be made aware of any internal control recommendations in the external auditor's report to fulfil its responsibilities regarding risk management.

The Chapter must, therefore, consider how it will obtain the information required to fulfil its duty to ensure *"appropriate management of risk and oversight of its internal and external audit"*. It is likely that, in this situation, the Chapter will need to appoint an internal auditor to carry out a programme of work to ensure that the Chapter is provided with sufficiently detailed information on the operations of the cathedral to carry out its responsibilities. However, this may not be sufficient on its own, or the only way to achieve this. Chapters will need to consider what functions would be undertaken by the Audit and Risk Committee if there was one and allocate how each function will be undertaken without one.

The internal auditor

Where the Chapter decides to appoint an internal auditor, the Chapter will need to appoint a suitably qualified individual or a registered accounting firm. Where a Chapter does not have an Audit and Risk Committee, it is expected that a suitably qualified individual would usually be a member of a member organisation of the Consultative Committee of Accounting Bodies (CCAB) or the Chartered Institute of Management Accountants (CIMA), who is not exempt from the member organisation's Continuing Professional Development (CPD) requirements or who has carried out sufficient CPD to meet the organisation's requirements if they are exempt.

However, there may be situations where it is appropriate for the Chapter to appoint a person who does not have such qualifications where that person can demonstrate prior experience of

risk management responsibility at a level appropriate for the work to be undertaken in the cathedral through previous employment or voluntary work. Where there is no Audit and Risk Committee, the expectation is that internal auditors should be suitably qualified.

The internal auditor must be independent both of Chapter and the external auditor and should report directly to the Chapter. For this purpose, independence means that the internal auditor has no relationship with the cathedral or its staff or Chapter members that might give rise to a perceived conflict of interest or loyalty. The assessment of independence is one for both the internal auditor and the Chapter to make taking account of all relevant facts.

Where there is no Audit and Risk Committee, the internal auditor must design a programme of work, for approval by the Chapter, to enable the Chapter to meet its obligations in relation to risk management and mitigation. Chapter would need to direct the work of the internal auditor based on the risk assessment shown in the Chapter's risk register. It is likely that internal auditors would need to perform both detailed transactional tests and higher-level scrutiny of processes and policies (on a rotational basis advised by the risk assessment) to be able to meet these objectives. Where there is an Audit and Risk Committee, the internal auditor should report to the Audit and Risk Committee in accordance with the agreed plan.

6. Model Terms of Reference

Section 16 of the 2021 Measure sets out a number of legal requirements for the composition and membership of the Finance Committee and, where there is one, the Audit and Risk Committee. The requirements in the 2021 Measure must be reflected in the provisions relating to the respective committees in each cathedral's new Statutes and the relevant provisions in the template Statutes reflect these requirements. Section 16 is set out in Appendix 3 to this Guidance.

The template Terms of Reference below reflect the legal requirements in the 2021 Measure. They will need to be amended by each Chapter to reflect their local circumstances, provided that such changes are permitted by the 2021 Measure and the Chapter's own Statutes. Where the Terms of Reference have [], it indicates that this is a clause which will need to be tailored by the Chapter, often to reflect the requirements in the cathedral's new Statutes.

Model Terms of Reference: Finance Committee

(A) Duties and Responsibilities

The Chapter members, as the charity trustees, are collectively responsible for managing the financial assets of the cathedral. The Finance Committee (the "**Committee**") must keep the activities and management of the cathedral under review, in relation to such matters as the Chapter has specified in these Terms of Reference⁵.

The Committee is responsible for:

- (1) Monitoring and reviewing the overall financial strategies and financial policies of the Chapter and making recommendations as appropriate to Chapter.
- (2) Exercising oversight of the financial procedures and delegations across the cathedral and making recommendations to Chapter as required.
- (3) Reviewing the Chapter's draft budget, including proposed capital expenditure and major projects, and providing advice to Chapter to assist Chapter's consideration and approval of the budget.

⁵ This is a legal requirement under s 16(7) of the 2021 Measure.

- (4) Monitoring the most recently prepared financial management information including [monthly] management accounts, performance against budget, relevant key performance indicators, forecasts and cash flow forecasts, and reporting to the Chapter.
- (5) Exercising oversight of financial implications of proposed and actual major projects and developments, including scrutinising judgements and financial management systems, and making recommendations to Chapter as appropriate.
- (6) Considering and recommending to the Chapter all banking arrangements including selection of bank counterparties and bank mandate arrangements.
- (7) Monitoring borrowing requirements, including any overdraft facilities and any loans taken out by the cathedral and reviewing compliance against covenants, and reporting regularly to the Chapter.
- (8) Monitoring and reviewing the Chapter's arrangements in relation to investments to yield the best financial return within the level of risk considered acceptable by the Chapter, including review of the investment policy, ensuring that investment arrangements are aligned with the Chapter's long-term objectives and ethical policy and ensuring compliance with endowment restrictions.
- (9) Monitoring performance of investment managers and making recommendations to the Chapter in relation to the appointment, reappointment and removal of the Chapter's investment advisors and managers.
- (10) Receiving periodic performance reports covering the main income generating activities of the cathedral and those activities where significant costs are incurred and reporting to the Chapter as required.
- (11) Reviewing the Chapter's arrangements in relation to reserves, including its reserves policy and making recommendations to the Chapter.

(B) Membership

- (1) The Committee must have a minimum of []⁶ members [and a maximum of [] members⁷].
- (2) The Chapter shall appoint all members of the Committee [, having consulted the Nominations Committee]⁸. The Chapter may appoint [up to] [] members of the Committee who are not Chapter members. [There must not be a majority of members in common with the Audit and Risk Committee.⁹]
- (3) The Committee members should, collectively, possess appropriate knowledge and skills in accounting, risk management, audit, financial governance and any other technical issues relevant to the business and strategic management of the cathedral.
- (4) The Dean must not be a member of the Committee but is entitled to attend any meeting of the Committee. If the Dean does attend, he or she may speak but may not vote¹⁰.
- (5) The chair of the Committee must be appointed by Chapter. The person appointed to chair the Committee must:

⁶ Amend to reflect provisions in the cathedral's Statutes.

⁷ Amend to reflect provisions in the cathedral's Statutes.

⁸ Amend to reflect provisions in the cathedral's Statutes.

⁹ Delete if there is no Audit & Risk Committee

¹⁰ This is a legal requirement under s 16(3) of the 2021 Measure.

- (a) be a non-executive member of Chapter; and
 - (b) have recent and relevant financial experience¹¹.
- (6) Each member is appointed for a term of office of [up to three]¹² years.
 - (7) A member may be reappointed, provided that any member who has served more than [three]¹³ consecutive terms is not eligible for appointment as a member until at least []¹⁴ has passed since the member last held the office.
 - (8) A Committee member may resign by notice in writing to the [chief officer¹⁵] and dean. [Any Committee member who ceases to be a Chapter member shall automatically cease to be a member of the Committee.]
 - (9) The Chapter may remove a member of the Committee in accordance with the provisions of the Statutes.
 - (10) Members must declare any conflicts of interest or loyalty in accordance with the Chapter's conflicts of interest policy.

(C) Quorum

A duly convened meeting of the Committee at which a quorum of [three]¹⁶ members is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee [, provided that at least one member present is a non-executive member of Chapter]¹⁷.

(D) Frequency of Meetings

- (1) Either of the [chief officers¹⁸] shall, at the request of the chair, arrange a meeting of the Committee.
- (2) The Committee must meet at least [four]¹⁹ times a year.

(E) Attendance at meetings²⁰

- (1) The [chief officers²¹] must attend each meeting of the Committee unless the Committee considers that circumstances exist which justify excluding or excusing either or both chief officers from the whole or part of the meeting. When attending a meeting, a chief officer may speak but not vote.
- (2) The Committee may invite any member of the Chapter to attend the whole or part of a meeting and such a member of Chapter may speak but cannot vote.
- (3) The Committee may invite any other person to attend the whole or part of a meeting and such person may speak only at the discretion of the chair and cannot vote.

¹¹ This is a legal requirement under s 16(2) of the 2021 Measure.

¹² Amend to reflect provisions in the cathedral's Statutes.

¹³ Amend to reflect provisions in the cathedral's Statutes.

¹⁴ Amend to reflect provisions in the cathedral's Statutes.

¹⁵ Amend to name role.

¹⁶ Amend to reflect provisions in the cathedral's Statutes.

¹⁷ Amend to reflect provisions in the cathedral's Statutes.

¹⁸ Amend to name roles.

¹⁹ Amend to reflect provisions in the cathedral's Statutes.

²⁰ Amend to reflect provisions in the cathedral's Statutes.

²¹ Amend to name roles.

- (4) All meetings will be chaired by the Chair of the Committee. In the absence of the Chair, the remaining members present shall elect one of their number to chair the meeting.
- (5) The members of the Committee may ask any or all of those who normally attend meetings of the Committee but who are not members of the Committee to withdraw from the discussion of particular matters to facilitate open and frank discussion.
- (6) The Articles of the Constitution on remote participation apply to meetings of the Committee as they apply to a meeting of the Chapter.

(F) Notice of meetings²²

- (1) Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the items to be discussed and any relevant papers should be sent to Committee members [and those invited]²³ no later than [five]²⁴ working days before the date of the meeting.
- (2) If, at the invitation of the Committee, any members of Chapter are invited to attend the whole or part of the Committee meeting, notice of the meeting must be given to the person as soon as reasonably practicable before the meeting.
- (3) If it is not reasonably practicable for the relevant papers for a meeting of the Committee to accompany the notice of the meeting, the papers must be given to each person who received the notice of the meeting as soon as it is reasonably practicable.

(G) Minutes of the meetings

The [chief finance officer/secretary²⁵] shall arrange for a record of the proceedings and decisions of each meeting to be made, including the names of those present and in attendance and any declarations of conflicts of interest or loyalty, in accordance with the Chapter's conflicts of interest policy.

(H) Reporting responsibilities²⁶

- (1) A draft of the minutes of each meeting must be circulated promptly to each member of the Committee.
- (2) Once the minutes of a meeting are approved, they must be sent to every member of Chapter and may be sent to other persons as the Committee thinks appropriate.
- (3) The Chair of the Finance Committee must report all material matters discussed at the Finance Committee, whether orally or in written form, to the Chapter at its next meeting following the Finance Committee meeting. The Chapter must consider any material matters arising from the minutes of a meeting of the Committee or the report of the Chair of the Finance Committee.

²² Amend to reflect provisions in the cathedral's Statutes.

²³ Amend to reflect provisions in the cathedral's Statutes.

²⁴ Amend to reflect provisions in the cathedral's Statutes.

²⁵ Amend as required for your cathedral. If you have a Committee secretary, include in the Terms of Reference how they are appointed.

²⁶ Amend to reflect provisions in the cathedral's Statutes.

(I) Periodic review

The Chapter shall review these Terms of Reference every [3] years.

Model Terms of Reference: Audit and Risk Committee

(A) Duties and Responsibilities

The purpose of the Audit and Risk Committee (the “**Committee**”) is to enable Chapter members to meet their responsibilities by providing independent oversight of the cathedral’s systems of internal control, risk management and financial reporting, and through supervision of the quality, independence and effectiveness of both the internal and external auditors.

The Committee must keep the activities and management of the cathedral under review in relation to such matters as the Chapter has specified in these Terms of Reference²⁷.

The Committee is responsible for:

- (1) reviewing the annual report and financial statements, paying particular attention to accounting policies, areas involving significant judgement or estimation and compliance with financial reporting requirements and accounting standards, and recommending them to Chapter for approval;
- (2) reviewing the scope and results of [internal and] external audit work, including the adequacy of management responses;
- (3) reviewing the performance of [internal and] external auditors, including recommending the appointment and remuneration of [internal and] external auditors to Chapter when required;
- (4) monitoring the processes for assessing, reporting, mitigating and owning business risks and their financial implications, including financial, governance and safeguarding risks;
- (5) reviewing the risk register at least annually, and ensuring Chapter’s internal processes facilitate the prompt reporting of serious incidents, control failures and emerging risks;
- (6) reviewing and recommending to Chapter the organisation’s policies for counter-fraud, anti-money laundering, whistle-blowing and cyber and information security; and
- (7) reviewing arrangements by which staff may, in confidence, raise concerns about possible improprieties relating to finance or other aspects of the cathedral’s operations to ensure that arrangements are in place for the investigation of such matters and for appropriate follow-up action.

(B) Membership

- (1) The Committee must have a minimum of []²⁸ members [and a maximum of [] members²⁹], provided that at least one member of the Committee must be a non-executive Chapter member.

²⁷ This is a legal requirement under s 16(7) of the 2021 Measure.

²⁸ Amend to reflect provisions in the cathedral’s Statutes. It is expected that an Audit and Risk Committee will have a minimum of three members.

²⁹ Amend to reflect provisions in the cathedral’s Statutes.

- (2) The Chapter shall appoint all members of the Committee [, having consulted the Nominations Committee]³⁰. Subject to (1), the members so appointed need not be Chapter members [and should not be executive Chapter members]. [There must not be a majority of members in common with the Finance Committee.]
- (3) The members so appointed should, collectively, possess appropriate knowledge and skills in accounting, risk management, audit, financial governance and any other technical issues relevant to the work of the Committee.
- (4) The Dean must not be a member of the Committee but is entitled to attend any meeting of the Committee. If the Dean does attend, he or she may speak but may not vote³¹.
- (5) The chair of the Committee must be appointed by the Chapter. The person appointed to chair the Committee must³²:
 - (a) not be a member of the Chapter; and
 - (b) have recent and relevant financial experience.
- (6) Each member is appointed for a term of office of [up to three]³³ years.
- (7) A member may be reappointed, provided that any member who has served more than [three]³⁴ consecutive terms is not eligible for appointment as a member until at least []³⁵ has passed since the member last held the office.
- (8) A Committee member may resign by notice in writing to the [chief officer³⁶] and dean. [Any Committee member who ceases to be a Chapter member shall automatically cease to be a member of the Committee.]³⁷
- (9) The Chapter may remove a member of the Committee in accordance with the provisions of the Statutes.
- (10) Members must declare conflicts of interest or loyalty in accordance with the Chapter's conflicts of interest policy.

(C) Quorum

A duly convened meeting of the Committee at which a quorum of [three]³⁸ members is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee[, provided that at least one member present is a non-executive member of Chapter]³⁹.

(D) Frequency of Meetings⁴⁰

- (1) Either of the [chief officers⁴¹] shall, at the request of the chair, arrange a meeting of the Committee.

³⁰ Amend to reflect provisions in the cathedral's Statutes.

³¹ This is a legal requirement under s 16(3) of the 2021 Measure.

³² This is a legal requirement under s 16(4) of the 2021 Measure.

³³ Amend to reflect provisions in the cathedral's Statutes.

³⁴ Amend to reflect provisions in the cathedral's Statutes.

³⁵ Amend to reflect provisions in the cathedral's Statutes.

³⁶ Amend to reflect relevant titles/roles in your cathedral.

³⁷ Amend to reflect provisions in the cathedral's Statutes.

³⁸ Amend to reflect provisions in the cathedral's Statutes.

³⁹ Amend to reflect provisions in the cathedral's Statutes.

⁴⁰ Amend to reflect provisions in the cathedral's Statutes.

⁴¹ Amend to name roles.

- (2) The Committee must meet at least [twice]⁴² a year.

(E) Attendance at meetings⁴³

- (1) The Chair may invite either or both chief officers⁴⁴ to attend all or part of each meeting of the Committee. When attending a meeting, a chief officer may speak but not vote.
- (2) The Committee may invite any member of the Chapter to attend the whole or part of a meeting and such a member of Chapter may speak but cannot vote.
- (3) The Committee may invite any other person to attend the whole or part of a meeting and such person may speak only at the discretion of the chair and cannot vote.
- (4) All meetings will be chaired by the Chair of the Committee. In the absence of the Chair, the remaining members present shall elect one of their number to chair the meeting.
- (5) The members of the Committee may ask any or all of those who normally attend meetings of the Committee but who are not members of the Committee to withdraw from the discussion of particular matters to facilitate open and frank discussion.
- (6) The Articles of the Constitution on remote participation apply to meetings of the Committee as they apply to a meeting of the Chapter.

(F) Notice of meetings

- (1) Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the items to be discussed and any relevant papers should be sent to committee members [and those invited]⁴⁵ no later than [five]⁴⁶ working days before the date of the meeting.
- (2) If, at the invitation of the Committee, any members of Chapter are invited to attend the whole or part of the Committee meeting, notice of the meeting must be given to the person as soon as reasonably practicable before the meeting.
- (3) If it is not reasonably practicable for the relevant papers for a meeting of the Committee to accompany the notice of the meeting, the papers must be given to each person who received the notice of the meeting as soon as it is reasonably practicable.

(G) Minutes of the meetings

The [secretary⁴⁷] will arrange for a record of the proceedings and decisions of each meeting to be made, including the names of those present and in attendance and any declarations of conflict of interest.

⁴² Amend to reflect provisions in the cathedral's Statutes.

⁴³ Amend to reflect provisions in the cathedral's Statutes.

⁴⁴ Amend to name roles.

⁴⁵ Amend to reflect provisions in the cathedral's Statutes.

⁴⁶ Amend to reflect provisions in the cathedral's Statutes.

⁴⁷ Amend for your cathedral. If you have a Committee secretary, include in the Terms of Reference how they are appointed.

(H) Reporting responsibilities⁴⁸

- (1) A draft of the minutes of each meeting must be circulated promptly to each member of the Committee.
- (2) Once the minutes of a meeting are approved, they must be sent to every member of Chapter and may be sent to other persons as the Committee thinks appropriate.
- (3) The Chair of the Audit and Risk Committee must provide the Chapter with a written report of all material matters discussed at the Committee before the next Chapter meeting following the Committee's meeting. The Chapter must consider any material matters arising from the minutes of a meeting of the Committee or the report of the Chair of the Committee.
- (4) The Chair of Audit and Risk Committee must report issues of serious concern to the Chapter immediately.
- (5) The Chair of Committee should attend the Chapter meeting at which the Chapter discusses and adopts the audited Annual Report and Accounts.
- (6) The Committee will provide an annual report to Chapter, timed to support the preparation of the annual governance statement, summarising its conclusions from the work it has done during the year.

(I) Periodic review

The Chapter shall review these Terms of Reference every [3] years.

⁴⁸ Amend to reflect provisions in the cathedral's Statutes.

APPENDIX 1

Extracts from the Cathedrals Measure 2021

5. Constitution: general provision⁴⁹

- (1) The constitution must—
 - (i) provide (subject to sub-paragraph (j)) for the establishment of a committee known as “the Finance Committee” and of a committee known as “the Audit and Risk Committee” (see section 16);
 - (j) provide that, if the Chapter considers that establishment of the committees referred to in sub-paragraph (i) is not practicable, a committee known as the “Finance Committee” must be established and the Chapter must make whatever arrangements are necessary to ensure appropriate governance of the cathedral (including management of risk) and appropriate oversight of its internal and external audit, given the size and complexity of its financial affairs and the nature of its activities.
- (6) In making arrangements of the kind referred to in subsection (1)(j), the Chapter must have due regard to any guidance issued by the Church Commissioners on the financial affairs of cathedrals.
- (7) Before issuing guidance of the kind referred to in subsection (6), the Church Commissioners must consult such bodies as appear to them to represent cathedrals in relation to their financial affairs.

16. Finance Committee and Audit and Risk Committee

- (1) It is for the Chapter to appoint the members of the Finance Committee and (if there is one) the members of the Audit and Risk Committee (the establishment of which is provided for in the constitution by virtue of section 5(1)(i)).
- (2) The chair of the Finance Committee must be a non-executive member of the Chapter who has recent and relevant financial experience.
- (3) The dean must not be a member of the Finance Committee or (if there is one) of the Audit and Risk Committee but is entitled to attend any meeting that either committee holds; and, at any meeting which the dean attends, he or she may speak but may not vote.
- (4) The chair of the Audit and Risk Committee (if there is one) must not be a member of the Chapter and must have recent and relevant financial experience.
- (5) The membership of the Audit and Risk Committee (if there is one) must include at least one non-executive member of the Chapter.
- (6) The membership of the Finance Committee and (if there is one) the membership of the Audit and Risk Committee may each include persons who are not members of the Chapter.
- (7) The Finance Committee and (if there is one) the Audit and Risk Committee must each keep under review the activities and management of the cathedral in relation to such matters as the Chapter may specify in terms of reference for the committee.

⁴⁹ relevant subsections included only

- (8) In providing terms of reference for the purposes of this section, the Chapter must have due regard to any guidance issued by the Church Commissioners on the responsibilities of a Finance Committee and of an Audit and Risk Committee.
- (9) Before issuing guidance of the kind referred to in subsection (8), the Church Commissioners must consult such bodies as appear to them to represent cathedrals in relation to their financial affairs.
- (10) Subject to the preceding provisions of this section, the statutes must make provision as to the composition, functions and proceedings of the Finance Committee and (if there is one) of the Audit and Risk Committee.
- (11) The terms of reference set by the Chapter for a Finance Committee or (if there is one) an Audit and Risk Committee may include provision which supplements the provision made by the constitution or statutes.

APPENDIX 2

Other relevant guidance

Internal financial controls

Chapter members, the chief officers, members of the Finance Committee and, where there is one, members of the Audit and Risk Committee should familiarise themselves with the Charity Commission guidance CC8: Internal financial controls for charities⁵⁰.

This guidance explains a number of legal duties that must be met by the Chapter as the charity trustees in relation to accounting and financial reporting. In addition, the guidance assists the Chapter to consider the effectiveness of its financial controls and whether its internal audit function is suitable and sufficient to enable the Chapter to identify, assess, manage and monitor risks identified.

Risk management

Chapter members, the chief officers, members of the Finance Committee and, where there is one, members of the Audit and Risk Committee should familiarise themselves with the Charity Commission guidance CC26: Charities and risk management⁵¹.

This guidance outlines principles and strategies that can help charities manage risk. It provides a model of risk management which Chapter may wish to review and adapt as required, whether on its own or in conjunction with their internal auditor.

⁵⁰ <https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8>

⁵¹ <https://www.gov.uk/government/publications/charities-and-risk-management-cc26/charities-and-risk-management-cc26>