APPENDIX 3

Terms of reference
International Board Audit and Risk Standing Committee

1. Objective
The objective of the Audit and Risk Standing Committee (ARSC) of the International Board of the MSF International Association (“the Association”) is to carry out the duties outlined below for the worldwide movement of MSF as a whole (“the movement”). The committee is authorised to request access to resources, information and analyses to enable it to perform these duties of monitoring, reviewing and challenging. It may not give instructions directly to executive management but is expected to provide recommendations to the Board, which may then give instructions as it sees appropriate to executive management.

2. Core responsibilities
   - Financial reporting
     - Monitor the integrity of the Association’s annual financial statements (also known as the International Office (“IO”) financial statements) and of the movement’s international combined financial statements and any other formal public announcement that is materially significant to the financial performance or internal control of the worldwide movement as a whole, reviewing significant financial reporting issues and judgements which they contain.
     - Review and challenge where necessary
       ▪ the consistency of, and any changes to or deviations from, accounting policies;
       ▪ whether the association and the movement have followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
       ▪ the clarity of disclosure in the association’s and the movement’s financial reports and the context in which statements are made; and
       ▪ all material information presented with the financial statements, such as the President’s Report and the Treasurer’s Report.
   - Risk management and internal controls
     - Oversee and monitor the movement’s identification of risk and its response to it, including not just financial risks, by requesting that the International Board encourage individual sections to prepare risk analyses that identify, in a consistent manner, the risks that the sections face and their response to them. The ARSC shall report regularly to the International Board on progress made in establishing risk analyses at section level, on the basis of reports prepared by executive management and reviewed by the ARSC. At least once a year, the ARSC shall present to the International Board for their
consideration a movement-wide risk analysis prepared by executive management and reviewed by the ARSC, together with the ARSC’s recommendations.

- Consider the extent to which the movement requires reserves as a response to the risks that it faces, by requesting that the International Board encourage individual sections to make such a judgement. The ARSC shall report to the International Board on the movement wide need for reserves, based on a summary prepared by executive management and reviewed by the ARSC.

- Keep under review the effectiveness of the movement’s risk management and internal controls, by requesting that the International Board encourage individual sections to evaluate the effectiveness of their risk management and internal controls and to report on that evaluation. The ARSC will report regularly to the International Board on progress made in evaluating the effectiveness of risk management and internal controls, based on reports prepared by executive management and reviewed by the ARSC.

- Consider reports prepared by executive management regarding individual sections’ actual income and expenditure and the extent to which variations from projections included in any intersectional resource-sharing agreement (“RSA”) might affect short-term or long-term implementation of and adherence to that RSA. The ARSC shall present its findings and recommendations to the International Board for their consideration.

- Review and approve any statements to be included in the annual report concerning risk management and internal controls.

- **External Audit of the Association’s IO financial statements and the International Combined Accounts**

  - Consider and make recommendations to the International Board, to be submitted for approval at the IGA, in relation to the appointment, re-appointment and removal of the external auditors of the Association’s IO financial statements and the international combined accounts. The ARSC shall oversee the selection process for new auditors and, if an auditor resigns, the ARSC shall investigate the issues leading to this and decide whether any action is required.

  - Oversee the relationship with the external auditors including (but not limited to)
    - approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
    - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
    - assessing annually their independence and objectivity taking into account relevant professional requirements and the relationship with the auditors as a whole;
monitoring the auditors’ compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Association and the movement compared to the overall fee income of the firm, office and partner and other related requirements;  
- assessing annually the auditors’ qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditors on their own internal quality procedures;  
- seeking to ensure co-ordination with the activities of any internal audit function.

- Meet regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage. The ARSC shall meet the external auditor at least once a year, without any executive management being present, to discuss their remit and any issues arising from the audit.  
- Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.  
- Review the findings of the audit with the external auditors. This shall include but not be limited to, the following  
  - a discussion of any major issues which arose during the audit;  
  - any accounting and audit judgements;  
  - levels of errors identified during the audit.  
- Review the effectiveness of the audit  
  - review any representation letter(s) requested by the external auditors before they are signed by executive management;  
  - review the management letter and management’s response to the auditor’s findings and recommendations.

- Other matters  
  - Give due consideration to any relevant laws and regulations.  
  - Oversee any investigation of activities which are within its terms of reference and make recommendations to the International Board  
  - At least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the International Board for approval.

3. Composition  
- Members of the ARSC shall be appointed by the International Board of the Association, in consultation with the International Treasurer. The ARSC shall be made up of at least 4 members.  
- All members of the ARSC shall be associative and may not be executive, and at least two of them shall have recent and relevant financial experience. The chairman of the International Board shall not be a member of the ARSC.  
- Only members of the ARSC have the right to attend ARSC meetings. However, other individuals such as the chairman of the International Board, the secretary-general, the international finance coordinator, other international
coordinators, and, at section or operational directorate level, treasurers, the heads of finance, risk, compliance, internal audit (to the extent such positions exist) and other representatives may be invited to attend all or part of any meeting as and when appropriate.

- The external auditors will be invited to attend meetings of the ARSC from time to time.
- Appointments to the ARSC shall be for a period of up to three years, which may be extended for one further three year period, provided the member remains independent. Initial appointment terms may be staggered in order to avoid a substantial or complete change in the membership of the committee at one time.
- The International Board shall appoint the ARSC chairman who shall be a member of the International Board. In the absence of the ARSC chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

4. Functioning

- Administrative support to the ARSC shall be provided by the executive assistants of the Association.
- The quorum necessary for the transaction of business shall be 3 members. A duly convened meeting of the ARSC at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the ARSC.
- The ARSC should have access to sufficient resources, information and analyses in order to carry out its core responsibilities and is authorised to seek any information it requires through request to the International President or the Secretary General.

5. Meetings

- The ARSC shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required on an ad hoc basis in response to specific issues.
- Meetings of the ARSC shall be called by the Chair of the ARSC at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the ARSC and to any other person required to attend no later than 5 working days before the date of the meeting. Supporting papers shall be sent to ARSC members and to other attendees as appropriate, at the same time.
- The proceedings and resolutions of all meetings of the ARSC, including the names of those present and in attendance, shall be minuted.
- Minutes of ARSC meetings shall be circulated promptly to all members of the ARSC and, once agreed, to all members of the International Board.
6. Reporting

- The ARSC chairman shall report formally to the International Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- The ARSC shall make whatever recommendations to the International Board it deems appropriate on any area within its remit where action or improvement is needed.
- The ARSC shall compile a report to the International General Assembly representatives on its activities to be included in the movement’s annual report.
- The chairman of the ARSC shall attend the Annual International General Assembly of the Association prepared to respond to any questions on the ARSC’s activities.

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