

Audit and Risk Committee

Terms of Reference

Document Information

Document Version History

Date	Version	Author	Comments
11/06/2024	1.0	Gemma Allcock Senior Governance Adviser / ARC Secretariat	Inclusion of document information - Version control and Submission Group Inclusion of Contents Risk Management section updated to reflect the Risk Maturity Project Clarification of the role of the Secretariat function and who provides Secretariat function
1/07/2024	1.1	Gemma Allcock Senior Governance Adviser / ARC Secretariat	Inclusion of Appendix A: Membership terms
26/08/2024	1.2	Gemma Allcock Senior Governance Adviser / ARC Secretariat	Minor change to Appendix A: term end dates (3 years to reflect paragraph 31) Paragraph 43, included the Board as a key stakeholder

Submission Group

Name	Role
Audit and Risk Committee	Endorsement
Commerce Commission Board	Approval

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Purpose

1. The Commerce Commission's vision is that New Zealanders are better off because markets work well, and consumers and businesses are confident market participants.
2. The Commission's Audit and Risk Committee assists the board to deliver these outcomes by providing assurance that good practice audit, risk management and finance is implemented in the organisation.
3. The Commission is a public benefit entity (PBE). This means that good practice encompasses both financial and non-financial performance reporting.
4. In setting the annual work programme, the Audit and Risk Committee will have regard to the Office of the Controller and Auditor General's five areas of focus:
 - 4.1 Performance – the Commission must undertake its business efficiently and effectively;
 - 4.2 Authority – the Commission must act within its authority;
 - 4.3 Waste – The Commission must apply its resources economically;
 - 4.4 Probity – The Commission must meet public sector standards of behaviour¹; and
 - 4.5 Accountability – The Commission must give full and proper account of its activities.
5. The Audit and Risk Committee discharges its role at a governance oversight level and does not hold the authority or power to make decisions on the Board's behalf.
6. The Audit and Risk Committee provides governance oversight of the Commission's policies, processes, systems, and controls with the objective of achieving good practice, which is appropriate for an organisation of the Commission's size and type.

Core functions

7. The Audit and Risk Committee will discharge its core functions in accordance with good practice.
8. Core functions include audit, risk management, and finance.

Audit

External Audits

9. The Audit and Risk Committee provides governance oversight in relation to external audit with the objective of the organisation:

¹ Alongside the values that the Commission already recognises, core public sector values of operating within the law, scrupulous honesty, integrity, transparency, and accountability are required.

- 9.1 achieving an unmodified audit opinion on its financial statements; and
 - 9.2 establishing and maintaining an appropriate management control environment, financial information systems and controls, and service performance information and associated systems and controls.
10. While seeking this objective, the Audit and Risk Committee will take into account the context of the Commission's operating environment including cost/benefit, risk, efficiency, and usefulness.

Internal Audit

- 11. The Audit and Risk Committee provides governance oversight to give assurance that good practice internal audit is conducted. Internal audit will comprise independent reviews of performance, systems, and controls to minimise and isolate the risk of financial or performance weakness and identify areas for improvement. The Audit and Risk Committee will ensure that recommendations are actioned promptly.
- 12. The Audit and Risk Committee provides governance oversight of the multi-year rolling Internal Assurance Programme.
- 13. The Audit and Risk Committee will review the expenditure of the Chair every six months to ensure that it is reasonable and in accordance with policy.

Risk management

- 14. The role of the Audit and Risk Committee in risk management is to support the Board by assuring the effectiveness of the risk framework and providing independent advice on the Commission's efficacy in managing its most significant risks.
- 15. The Audit and Risk Committee will oversee assurance work across any area of risk management, or any specific risks, that the Audit and Risk Committee considers are worthy of attention.
- 16. The Audit and Risk Committee will provide recommendations to the Board in relation to any risk-related matters reported to the Board through the regular Audit and Risk Committee/Board cycle.
- 17. One of the Commission's significant areas of risk is off balance sheet contingent liabilities. The Audit and Risk Committee will provide assurance to the Board that there are systems in place to report contingent assets and liabilities for internal reporting purposes and for external reporting in accordance with the relevant accounting standard.
- 18. The Audit and Risk Committee will also provide assurance to the Board of the Commission's ability to fund its contingent liabilities in the event they become realised. It is the Board's responsibility to properly disclose contingent assets and liabilities in its financial statements and to ensure that it has sufficient reserves available to fund contingent liabilities.

Finance

Internal and external reporting

19. The Audit and Risk Committee provides governance oversight of the Commission's objective of good practice financial and non-financial reporting, including performance measures that demonstrate the effective and efficient delivery of the Commission's strategic objectives, including outputs, outcomes, and impacts.
20. Each year the Audit and Risk Committee will review the Commission's draft budget that has been prepared by management. The Audit and Risk Committee will review the budget process to ensure that it has been robust, ensure management has documented key budget assumptions, and provide advice on any budget matters that need to be brought to the Board's attention.
21. The Audit and Risk Committee will provide governance oversight to provide assurance that the Board has the information to meet their obligations under the Crown Entities Act and other relevant standards. It is each Member's individual and the Board's collective duty under the Crown Entities Act to ensure that the organisation is financially stable and fiscally responsible.

Supporting documents

22. The Audit and Risk Committee will oversee the development of a:
 - 22.1 multi-year Internal Assurance Programme; and
 - 22.2 An Annual Work Plan.
23. The Internal Assurance Programme and Annual Work Plan will be provided to the Board for approval each year.

Procedural matters

Authority

24. The Audit and Risk Committee members are appointed by the Board to carry out the responsibilities and functions detailed in this Terms of Reference. The Audit and Risk Committee is authorised to carry out any investigations it feels necessary to fulfil its functions and responsibilities. The Audit and Risk Committee is authorised to seek any information it requires from any employee. All employees are directed by the Board to co-operate with any request made by the Audit and Risk Committee subject to the Commission's obligations under legislative requirements.
25. The Audit and Risk Committee has no executive powers with regard to its findings and recommendations.
26. The Convenor of the Audit and Risk Committee will be responsible for drawing to the Commission Chair's immediate attention any material matter that relates to the financial condition of the organisation and any material breakdowns in internal controls.

27. The Audit and Risk Committee has the authority to obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the Commission's expense.

Communication with the auditors

28. It is expected that the Audit and Risk Committee will maintain clear, unobstructed lines of communication with the auditors. The Audit and Risk Committee will meet separately with the auditors, without management present as frequently as deemed necessary by the Audit and Risk Committee but at a minimum at least once per annum, including the audit clearance meeting.
29. The auditors will be invited and have the right to attend any meetings of the Audit and Risk Committee but should notify the Convenor when they wish to attend. The auditors should receive a copy of the agenda for each meeting, and other papers on request.

Membership of the Audit and Risk Committee

30. The Board will appoint the members of the Audit and Risk Committee. The Audit and Risk Committee will consist of at least three and not more than five members. The appointed members of the Audit and Risk Committee should have a broad range of skills and experience relevant to the operation of the Audit and Risk Committee and may be appointed from outside the members of the Commission.
31. Members will be appointed for an initial period not exceeding three years, after which they will be eligible for extension or re-appointment, after formal review of their performance.
32. The Commission Chair will nominate the member who is to Chair the Audit and Risk Committee (the Convenor of the Audit and Risk Committee). In the absence of the nominated member, members present at an Audit and Risk Committee meeting will appoint one of their number to Chair that meeting. The Commission Chair may be a member of the Audit and Risk Committee but will not be the Convenor.
33. The Convenor of the Audit and Risk Committee should have appropriate financial and risk management expertise.
34. The Convenor is responsible for providing new members of the Audit and Risk Committee with appropriate material to enable them to understand the role and responsibilities of the Audit and Risk Committee.
35. Membership of the Audit and Risk Committee should include at least one Chartered Accountant, not provisional or retired.

Meeting Arrangements

Meeting Frequency

36. Meetings will be held at least three times per year.

Quorum

37. The quorum is two members, including at least one Commission member.

Secretariat

38. Secretariat services will be provided by the Governance Team.
39. The secretariat will be responsible for preparing the minutes of each meeting, circulating minutes for review, and maintaining the minutes of each meeting as a complete record in accordance with records management requirements. Draft minutes will be circulated to all the Audit and Risk Committee members as soon as practicable after each meeting.

Meeting Attendance

40. The Audit and Risk Committee may have in attendance management and other parties it invites to attend such as the external auditor and can meet without management and the auditors present.

Reporting

41. The Convenor of the Audit and Risk Committee or a delegate of the Convenor who is an Audit and Risk Committee member will report to the Board following each meeting of the Audit and Risk Committee.
42. The minutes of the Audit and Risk Committee will be made available to the Board.

Self-Review

43. The Convenor of the Audit and Risk Committee will initiate a review of the performance of the Audit and Risk Committee at least once every two years. The review will be conducted on a self-assessment basis with appropriate input sought from the Chief Executive, the internal and external auditors, management, and any other relevant stakeholders, including the Board.

Review of Terms of Reference

44. At least once a year, the Audit and Risk Committee will review this Terms of Reference. Any substantive changes will be recommended by the Audit and Risk Committee and formally approved by the Board.

Appendices

Appendix A: Audit and Risk Committee Membership

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Name	Role	Term
Warren Allen	Convenor (External)	1 August 2023 - 1 August 2026
Anne Callinan	Member	2 October 2023 - 2 October 2026
Pierre van Heerden	Member	2 October 2023 - 2 October 2026
Nathan Strong	Member	1 November 2022 - 1 November 2025