

National Competition Council



Audit and Risk Committee Terms of Reference

Overview

The NCC Accountable Authority has established an Audit and Risk Committee (the Committee) in compliance with section 45 of the *Public Governance Performance and Accountability Act* and section 17 of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule).

This Charter defines the objectives, responsibilities and authority of the Committee and has been developed in accordance with the PGPA Act, PGPA Rule and the Department of Finance Resource Management Guide No. 202: *A guide for non-corporate Commonwealth entities on the role of audit committees*.

The NCC has a narrow scope of operations and has contracted the ACCC to provide a broad range of corporate and professional services to the NCC. The services provided to the NCC include financial management and reporting, administrative services, payroll, IT, and advice and support in relation to NCC recommendations, decisions and reports.

Functions

The functions of the NCC Audit and Risk Committee are to review and report to the NCC Accountable Authority on the appropriateness of the NCC's:

- a) financial reporting
- b) performance reporting
- c) risk oversight and management
- d) systems of internal control.¹

More specifically, the key functions of the Committee are to provide the Accountable Authority advice and assurance in respect to its responsibilities by:

- reviewing policies in relation to fraud and risk management strategies (including insurance arrangements), and whether management has appropriate controls in place to detect/respond to fraud and manage risks
- reviewing the coverage and scope of the external audit, ensuring that the audit strategy places emphasis where the Audit and Risk Committee and the external auditor believes it is necessary
- reviewing all external audit reports and advising the Accountable Authority on the implementation of the external auditor's recommendations
- reviewing the annual financial statements, assessing their appropriateness and providing advice to the Accountable Authority including recommending that the Accountable Authority sign the annual financial statements (to be incorporated into the NCC Annual Report)
- advising on the financial statement preparation process, including the systems of financial reporting
- reviewing the process for developing and measuring performance, and the process for preparing performance statements for the purpose of the NCC Annual Report

¹ These controls are, in effect, those operated by the ACCC as applied to services provided to the NCC.

- reviewing the appropriateness of systems of internal control, including policies and procedures regarding delegations, privacy, conflict of interests and protective security framework.

In relation to the review of the NCC's annual financial statements, the Committee will receive and consider assurances from the ACCC CFO regarding preparation of the NCC's financial statements and an external auditor report on the statements. This will usually occur in late August near the deadline for submission of the NCC Annual Report (including the financial statements) to the Treasury.

Reporting

The Committee will report to the NCC Accountable Authority after each meeting (a copy of the minutes or an oral update from the Chair will suffice for this purpose).

Each year, following the Committee's consideration, the Chair of the Committee will provide the Accountable Authority a written statement containing the Committee's views on the following matters:

- whether the annual financial statements comply with the PGPA Act, the PGPA Rule, the Accounting Standards and supporting guidance; and whether the entity's financial reporting as a whole is appropriate
- whether additional entity information (other than financial statements) required by Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary report package) comply with the PGPA Act, PGPA Rule, Accounting Standards and supporting guidance
- whether the annual performance statement and the performance reporting as a whole is appropriate
- whether the entity's systems for risk oversight and risk management as a whole is appropriate
- whether the entity's systems for internal control is appropriate.

In providing advice to the NCC Accountable Authority, the Committee may provide suggestions for systems and processes improvement where appropriate. The Committee has no executive powers, supervisory roles or decision making authority in relation to the operation of the NCC. It functions as a reviewer and adviser.

Membership of the NCC Audit and Risk Committee

The NCC Accountable Authority is responsible for appointing members of the NCC Audit and Risk Committee.

Committee members will be appointed for an initial period determined by the NCC Accountable Authority. Members may be re-appointed for further periods as specified by the NCC Accountable Authority. Members must not be officials of the NCC, and a majority of members must be persons who are not officials of any Commonwealth entity.

The Audit and Risk Committee must consist of at least three members, one of which is appointed as Chair by the NCC Accountable Authority. A quorum will consist of two members. The Committee is currently comprised of an:

- Independent Chair (Non-Commonwealth Official)
- Independent Member (Non-Commonwealth Official)

- Independent Member (Commonwealth Official).

The Committee is authorised to appoint a Deputy Chair who will act as Chair in the absence of the Chair.

Responsibility of members

Members of the Committee are expected to understand the Committee's roles and responsibilities, and understand and observe the legal requirements of the PGPA Act and PGPA Rule. Members are also expected to:

- gain a good understanding of the entity's functions, objectives and operational context
- work collaboratively and cooperatively with the Chair and with other members of the Committee, in doing so act in the best interests of the entity and the Commonwealth
- apply good analytical skills, objectivity and good judgment
- engage with management and external auditors in a constructive and professional manner, express opinions constructively and openly, raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry
- contribute the time required to meet their responsibilities.

Committee members must not use or disclose information obtained by the Committee except in meeting the Committee's responsibilities, or unless expressly agreed by the NCC Accountable Authority.

Meetings

The Committee will hold at least two meetings each year and such additional meetings as the Committee shall decide in order to fulfil its duties. In addition, the Chair shall convene a meeting of the Committee if requested to do so by any Committee member or the external auditor.

Meetings may be conducted through telephone or video conferences.

The NCC Executive Director will attend meetings of the Committee in an advisory capacity.

NCC Councillors may attend meetings of the Committee in an observer capacity.

The ACCC's Chief Finance Officer, or delegate, is expected to attend Committee meetings to assist the Committee in its work.

Attendance at Committee meetings may also include:

- other members of ACCC/AER management as necessary from time to time
- representatives of the external auditor, internal auditors, and other external advisers.

Attendance by any persons other than members of the Committee does not count for quorum purposes.

Conflict of interest

Upon commencement of appointment as a new member of the Committee, the member will provide a written declaration through the Chair, to the NCC Accountable Authority declaring any actual, potential or perceived material personal interests they may have in relation to their responsibilities. External members should consider past employment, consultancy arrangements and related party issues in making these declarations and the NCC Accountable Authority, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each Committee meeting, members are required to declare any material personal interests that may apply to specific matters on the meeting agenda. If appropriate, the member will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s). Details of any material personal interests declared, and any actions taken, will be appropriately recorded on a register (and the relevant meeting minutes where appropriate).

Commencement and review of the Terms of Reference

These Terms of Reference are effective from the date they are signed by the Accountable Authority.

These Terms of Reference, and effectiveness of the Committee, will be reviewed by the NCC Accountable Authority every two years to ensure that they remain consistent with the needs of the Council and best practice.

Approved



Julie-Anne Schafer

Date: 7 August 2023