



# ACCC & AER Audit Committee Terms of Reference

June 2020

This is a document controlled by the ACCC Chief Operating Officer (D15/84360).

---

**Version Control**

---

June 2015	1.0	New Audit Committee Terms of Reference to reflect change to Audit Committee and to bring closer in line with ANAO model Terms of Reference (Julia Kulakowski-Rupert).
July 2015	2.0	Updated to reflect changes suggested by the Audit and Finance Committee at its Half-Day Workshop 29 June 2015 (Julia Kulakowski-Rupert).
April 2017	2.1	Review by members. Minor changes to member responsibilities and some minor formatting changes (Rhys Benny).
August 2018	2.3	Revised to bring in line with new Department of Finance RMG202, reflect changes to governance and secretariat teams, and use new agency document format (Matthew Clay).
April 2019	2.4	Annual review. Streamlined and simplified. (Matthew Clay)
May 2020	2.5	Annual Review. Reference to Department of Finance Audit Committee guidance updated and minor terminology changes. (Francis Killackey)

---

## Contents

ACCC & AER Audit Committee Terms of Reference.....	0
Overview.....	3
1. ACCC & AER corporate governance structure .....	3
2. Role .....	3
3. Authority.....	3
4. Accountability and reporting .....	4
5. Membership and responsibilities .....	4
6. Functions .....	5
6.1. Financial reporting .....	5
6.2. Performance Reporting .....	6
6.3. Systems of risk oversight and management.....	6
6.4. System of internal control.....	6
7. Audit Committee written statement.....	7
8. Engagement with the ANAO.....	8
9. Conflict of interest .....	8
10. Meeting arrangements .....	9
11. Review .....	9
Attachment A .....	10
A.1 Membership .....	10
A.2 Attendance at Committee meetings .....	10
A.3 Secretariat .....	10

## Overview

The Accountable Authority of the Australian Competition and Consumer Commission (ACCC) and the Australian Energy Regulator (AER), the ACCC Chair, has established an Audit Committee (the Committee) in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 17 of the PGPA Rule 2014 (PGPA Rule).

These Terms of Reference define the objectives, responsibilities and authority of the Committee. They have been developed in accordance with the PGPA Act, PGPA Rule, and 'A guide for non-corporate Commonwealth entities on the role of audit committees' issued by the Department of Finance in March 2020.

### 1. ACCC & AER corporate governance structure

The Corporate Governance Board (CGB) sits at the apex of the entity's corporate governance structure. It comprises all ACCC Commissioners and AER Board members, and is chaired by the ACCC Chair.

### 2. Role

The Audit Committee provides independent advice and assurance to the Accountable Authority, through the CGB, on the entity's financial reporting, performance reporting, risk oversight and management, and system of internal control. The Committee is not responsible for the executive management of these functions.

The Committee will engage with management in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Accountable Authority.

The Committee will exercise a governance role in relation to the entity's internal audit function. The internal audit function is responsible for delivering an internal audit program in line with the Committee's guidance and subject to approval by the Accountable Authority.

### 3. Authority

The Committee has no executive powers, except those expressly provided by Commonwealth legislation or delegated to it by the Accountable Authority.

The Accountable Authority authorises the Committee, within the scope of its functions and responsibilities and subject to confidentiality considerations, to:

- have unimpeded access to the Accountable Authority and relevant management
- meet with, make inquiries of and seek information from any official, staff member or relevant external party, including internal and external auditors, as it considers necessary to enable it to fulfil its functions and responsibilities
- require any official, including the Accountable Authority, to attend a Committee meeting, and
- obtain independent legal or other professional advice (subject to the approval of the Committee Chair and appropriate financial delegation arrangements) as necessary for the proper discharge of its functions and responsibilities.

## 4. Accountability and reporting

The Committee will, as often as necessary and at least once a year, report to the Accountable Authority on its operation and activities during the year and confirm that all functions outlined in these Terms of Reference have been satisfactorily carried out.

The Committee may, at any time, report to the Accountable Authority any other matter it deems sufficiently important. In addition, individual Committee members may request a private meeting with the Accountable Authority at any time.

The Committee will attend a meeting of the CGB at least once per year.

The Committee Chair is accountable for the effective operation of the Committee and any advice provided to the Accountable Authority. Committee members are accountable for assisting the Committee Chair by participating constructively in discussions, providing feedback, proactively identifying issues and proposing solutions for their resolution.

## 5. Membership and responsibilities

### 5.1. Membership

The Accountable Authority determines the composition of the Committee and appoints its members.<sup>1</sup> When appointing members, the Accountable Authority should ensure that the collective qualifications, knowledge, skills and experience of the Committee's members are suitable to enable the Committee to perform its functions in the context of the agency. At least one member will have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

The majority of members will be appointed from outside the agency, and at least one member will be appointed from outside the Australian Public Service. An agency official may be appointed as a member but they are required to act in an independent capacity and to remain objective and independent.

Members will be appointed for an initial period determined by the Accountable Authority, and may be re-appointed for additional periods after a formal performance review.

Members will ordinarily be appointed for two year terms, with staggered starting dates to ensure a rotation of members over time. This helps introduce new skills and new perspectives to the deliberations of the Committee. Appointment terms may differ between external and internal members, and shorter term appointments may be made at the discretion of the Accountable Authority.

The membership of the Committee, and attendance by non-members at Committee meetings, is shown in Attachment A.

### 5.2. Responsibilities of the Audit Committee Chair

The Committee Chair will:

- set the work program and determine each meeting agenda
- ensure the Committee is run effectively and inclusively, in line with an agreed agenda, to deal with the business at hand

---

<sup>1</sup> Having regard to the requirements under the PGPA Act, PGPA Rule, and guidance from the Department of Finance.

- help frame the issues for discussion and deliberation, and seek to engage all members in discussions
- ensure decisions and actions arising from meetings are clearly articulated
- ensure that minutes are kept and records maintained (delegated to secretariat)
- provide leadership and determine the culture and behaviour of the Committee
- engage with the Accountable Authority as appropriate on outcomes and decisions from the Committee.

### 5.3. Responsibilities of members

Members of the Committee are expected to:

- understand the Committee's role and responsibilities, be familiar with the Committee's relationship with management and the internal and external auditors as well as have a sound knowledge of the entity's operations and the environment in which it operates
- contribute the time needed to study and understand the papers provided, apply good analytical skills, objectivity and good judgement; and express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry
- work collaboratively and cooperatively with the Committee Chair and other members of the Committee in the best interests of the entity generally and the business of the Committee specifically, and
- bring their own expertise and experience to the Committee to enable completion of activities in an efficient and effective manner.

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

Committee members will be afforded access to all information necessary to enable the Committee to effectively carry out its role. Committee members are entitled to request further information from management as required, including requests for the Committee to engage with agency officials. The Committee will make such requests through the Executive Office.

New Committee members are to receive an induction to the Committee, which will include a copy of these Terms of Reference and information to enable them to fulfil their responsibilities.

## 6. Functions

The Committee's functions are a matter of decision by the Accountable Authority, in consultation with the Committee and the CGB.<sup>2</sup> These functions are set out below.

### 6.1. Financial reporting

- Review the annual financial statements, assess their appropriateness, and provide advice to the Accountable Authority including recommending that the Accountable Authority sign the annual financial statements.
- Review processes in place to allow the entity to stay informed throughout the year of any changes or additional requirements in relation to financial reporting.

---

<sup>2</sup> The core functions of the Audit Committee are mandated in PGPA Rule 17.

- Review the appropriateness of the annual reporting processes in place and systems for preparing financial reporting information, and provide assurance that financial information included in the entity's annual report is consistent with the signed financial statements.
- Discuss with the ANAO the auditor's judgements about the adequacy of the entity's accounting policies and the quality of the entity's processes for the preparation of the entity's financial statements.

## 6.2. Performance Reporting

- Review the appropriateness of the entity's systems and procedures for developing, measuring and reporting the entity's performance including providing assurance that:
  - the entity's Portfolio Budget Statements and corporate plan include details of how the entity's performance will be measured and assessed
  - the entity's approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and corporate plan is appropriate for the entity, in accordance with the Commonwealth performance framework, and takes into account guidance issued by the Department of Finance
  - the entity has appropriate processes in place for the preparation of its annual performance statement and the inclusion of the statement in its annual report, and
- Review the entity's annual performance statements and provide advice to the Accountable Authority on their appropriateness to the entity.

## 6.3. Systems of risk oversight and management

- Review whether management has a current and appropriate enterprise risk management framework, the necessary internal controls and the associated procedures for the effective identification and management of the entity's risks, including reviewing the entity's control environment and insurance arrangements.
- Satisfy itself that an appropriate approach has been followed in managing the entity's key risks, including those associated with individual projects, programs and activities.
- Review whether management has adequately developed risk management capability in the entity and whether key roles, responsibilities and authorities relating to risk management are clearly articulated and adhered to in the entity.
- Review the process of developing and implementing the entity's fraud control arrangements consistent with the Commonwealth fraud control framework and satisfy itself that the entity has adequate and appropriate processes and systems in place to detect, capture and effectively respond to fraud risks. This includes reviewing reports on fraud from management that outline any significant or systemic allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in the entity.

## 6.4. System of internal control

### 6.4.1. Internal control framework

- Review management's approach to maintaining an effective internal control framework, including in relation to functions performed by external parties such as contractors and advisers, and whether appropriate processes are in place for assessing whether key policies and procedures are complied with.

- Review whether management has in operation relevant policies and procedures, such as Accountable Authority Instructions, delegations, a business continuity plan, and bullying and harassment policies, and that these are periodically reviewed and updated.
- Review and report on whether appropriate processes are in place to periodically (but not less than once per year) assess whether key policies and procedures are complied with.
- Review and report on whether management periodically assesses the adequacy of the entity's information security infrastructure, including complying with reporting obligations.

#### **6.4.2. Business continuity management**

- Satisfy itself that an appropriate approach has been taken in establishing the entity's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

#### **6.4.3. Ethical and lawful behaviour**

- Assess whether management has taken steps to embed a culture that promotes the proper use of public resources and is committed to ethical and lawful behaviour.

#### **6.4.4. Internal audit**

- Review the proposed internal audit coverage, ensure the coverage takes into account the entity's key risks, and recommend approval of the Internal Audit Strategy and Plan by the Accountable Authority.
- Provide guidance and advice on the internal audit function, review internal audit reports, monitor the implementation of audit findings and recommendations, and report to the Accountable Authority and Corporate Governance Board on systemic issues identified in internal audits.

#### **6.4.5. Legislative and policy compliance**

- Review the effectiveness of systems for monitoring the entity's compliance with those laws, regulations and associated government policies with which it must comply.
- Provide advice to the Accountable Authority regarding the issue of the entity's annual Certificate of Compliance, or equivalent report.

#### **6.4.6. Security compliance**

- Review management's approach to maintaining an effective internal security system, including Protective Security Policy Framework and ICT security policy compliance.

## **7. Audit Committee written statement**

The Committee will provide the Accountable Authority with an annual written statement following the August committee meeting, which will contain the following statements:

- A statement as to whether the annual financial statements, in the committee's view, comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance.
- A statement as to 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 Rules, Accounting Standards and supporting guidance.

- A statement in respect of the appropriateness of the entity's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.
- A statement of the committee's view in relation to the appropriateness of the entity's annual performance statement and the performance reporting as a whole, whether they comply with the PGPA Act and PGPA Rule, and making reference to any specific areas of concern or suggestions for improvement.
- A statement in relation to the appropriateness of the entity's systems for risk oversight and risk management as a whole, with reference to the Commonwealth Risk Management Policy and any specific areas of concern or suggestions for improvement.
- A statement of the committee's view in relation to the appropriateness of the entity's systems for internal control, with reference to any specific areas of concern or suggestions for improvement.

These statements must involve the Committee communicating its view to the Accountable Authority, not merely stating that the Committee does not know of anything that would indicate the particular element is inappropriate. The Committee will document the process by which it reaches its view and the Committee Chair will ensure that evidence of this process, and the view reached, is recorded and retained.

## 8. Engagement with the ANAO

The Committee will engage with the ANAO, as the entity's external auditor, in relation to the ANAO's financial statement and performance audit coverage. This includes:

- providing input on planned ANAO financial statement and performance audit coverage
- responding to the ANAO's annual fraud assessment questions
- monitoring management responses to ANAO financial statement management letters and performance audit reports, including the implementation of audit recommendations
- providing advice to the Accountable Authority on action to be taken on significant issues raised in relevant ANAO reports or better practice guides
- engaging effectively with ANAO representatives that attend Committee meetings, and
- convening private meetings with ANAO representatives if and when required.

## 9. Conflict of interest

Once each year Committee members will provide written declarations, through the Committee Chair, to the Accountable Authority, declaring any material personal interests they may have in relation to their responsibilities. The 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. Where required by the Committee Chair, the member will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s). The Committee Chair is also responsible for deciding, in consultation with the Accountable Authority where appropriate, if they should excuse themselves from the meeting or from the Committee's consideration of the relevant agenda item(s). Details of any material personal interests declared by the Committee Chair and other members, and actions taken, will be recorded in the minutes.

## 10. Meeting arrangements

### 10.1. Meeting frequency

The Committee will hold at least four meetings each year, including one special meeting to review financial statements and performance statements (normally in August). The Committee will develop a forward meeting schedule that includes the dates, location, and proposed agenda items for each meeting for the forthcoming year.

The Committee Chair may choose to hold additional meetings as necessary for the Committee to fulfil its Terms of Reference, and is required to call a meeting if asked to do so by the Accountable Authority.

### 10.2. Quorum

A quorum will consist of two members and must include at least one external member.

### 10.3. Secretariat

Secretariat services will be provided to the Committee as detailed at Attachment A.

## 11. Review

The Committee will review these Terms of Reference at least once a year in consultation with the Accountable Authority. Any substantive changes will be recommended by the Committee and formally approved by the Accountable Authority.

The Committee will regularly review its effectiveness against its functions and responsibilities, and the Accountable Authority will annually review the Committee's effectiveness through the CGB.

Approved



Rod Sims

Accountable Authority

Date 11 June 2020

## Attachment A

### A.1 Membership

Name	Role
Jim Cox	Committee Chair (Internal, APS)
Don Cross	Independent member (External, non-APS)
Kathy Grigg	Independent member (External, non-APS)

### A.2 Attendance at Committee meetings

Any ACCC Commissioner or AER Board member may attend any Committee meeting and will be provided with all relevant papers prior to the meeting.

The Chief Operating Officer and the Chief Finance Officer, or their delegates, are expected to attend Committee meetings to assist the Committee in its work.

Attendance at Committee meetings may also include other members of management as necessary, internal auditors, internal audit function staff, and ANAO representative(s).

### A.3 Secretariat

Secretariat services will be provided by the Executive Office.

#### Agenda

The meeting agenda and any papers will be emailed to members at least one week before a meeting unless circumstances require a shorter timeframe. The meeting agenda will include details of any conflicts of interest previously declared by Committee members.

The standing agenda will comprise:

No.	Agenda item
1	Welcome and apologies
2	Declaration of interests (where not previously declared)
3	Confirmation of previous minutes
4	Actions arising
5	Specific agenda items
6	Other business
7	Next meeting

#### Minutes

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.