



# The Commonwealth

## **Commonwealth Secretariat** **Audit Committee Terms of Reference** ***(Revised May 2024)***

### **Preamble**

All references to 'Secretariat', 'Secretariat Funds' or 'Funds' within this document shall include: (i) the Commonwealth Secretariat Fund (COMSEC), (ii) the Commonwealth Fund for Technical Co-operation (CFTC), and (iii) the Commonwealth Youth Programme Fund (CYP).

### **1. Constitution**

- 1.1. The Audit and Risk Committee (the Committee) is appointed by the Commonwealth Secretariat Board of Governors (the Board) to assist it in fulfilling its oversight responsibilities with regard to:
  - 1.1.1. The Secretariat's system of internal control and risk management.
  - 1.1.2. The integrity of the financial statements.
- 1.2. The Committee is advisory and the responsibility listed above lies with the Board and the Secretariat.
- 1.3. The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, under this Terms of Reference, as directed by the Board. In doing so, it has direct access to the external auditor, internal auditor and all employees and/or contractors of the Secretariat.

### **2. Membership**

- 2.1. Membership of the Committee shall comprise at least five members. Members must be independent of the Secretariat and be representative of the countries of the Secretariat.
- 2.2. Membership of the Committee is on a voluntary basis.
- 2.3. Employees of the Secretariat and Missions of member countries shall not concurrently be members of the Committee and shall not be members of the Committee until a minimum of twelve months has elapsed since the termination as such as an employee or contractor.

- 2.4. The Committee needs a good range of skills and experience in relation to the Committee's terms of reference, and the Committee as a whole shall have competence relevant thereto. At least one member of the Committee shall be a qualified accountant and have recent and relevant financial experience as well as a good understanding of financial management disciplines; and at least one other shall have relevant enterprise risk management experience.

### **3. Appointment of Members**

- 3.1. Appointments of members shall be approved by the Executive Committee (under delegated authority of the Board) on the recommendation of the existing Committee members and the Secretariat.
- 3.2. An Appointment Panel may be convened for the purpose of assessing and meeting with candidates nominated by member governments, and to inform their recommendation to the Executive Committee.
- 3.3. Calls for nominations shall be made through the Member countries' High Commissions and an appropriate public forum to encourage a broad range of candidates who will ultimately bring a diversity of experiences and thought to the Secretariat.

### **4. Term of Appointment**

- 4.1. Appointment to the Committee shall be for a period of up to two years commencing on the date of the Executive Committee approval.
- 4.2. The Committee may terminate a Committee member's appointment if performance or attendance is considered unsatisfactory, or if the member is no longer independent. The Audit Committee Chair will consult with the Board Chair prior to any change to confirm understanding and intended action.

### **5. Extension of Term of Office**

- 5.1. A member's appointment may be extended by the Executive Committee (under delegated authority of the Board) for further two-year periods, up to a maximum of six years, providing at the end of each two-year term, the member:
- 5.1.1. Expresses to the Committee in writing their willingness to continue in office; and
- 5.1.2. Remains independent.
- 5.2. In making its decision, the Executive Committee will consider the recommendation of the Chair of the Audit Committee, and their comments on the member's performance.

### **6. Resignation of Membership**

- 6.1. Members may resign from the Committee by writing to the Chair who will communicate such resignation to the Chair of the Board. The resignation will take effect from the date of the Executive Committee acceptance or the date specified by the member, whichever is earlier.

### **7. Appointment of Chair / Vice Chair**

- 7.1. Members of the Committee shall appoint a Chair (and, if considered necessary, a Vice Chair) from among themselves, and this shall be by majority vote. In the absence of the Chair and Vice Chair at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

## **8. Meetings**

- 8.1. Quorum for meetings of the Committee shall be three members.
- 8.2. Each member of the Committee must declare any potential conflict of interest arising on the Committee's agenda or from changes in the member's personal circumstances. Such declarations shall be made at the start of the meeting before official discussions commence or at such later time in the meeting when a potential conflict becomes clear.
- 8.3. The Committee shall meet at least three times a year, at appropriate times in the reporting and audit cycle. The Chair of the Committee may convene additional meetings as the Chair deems necessary.
- 8.4. Meetings shall be held in person at Marlborough House and may be held electronically. Members who are unable to attend meetings in person may request attendance remotely at the discretion of the Chair.
- 8.5. The Chair of the Committee, in consultation with the Secretariat, shall be responsible for preparing the agenda for the Secretary to circulate, with accompanying documentation, at least one week prior to each meeting.
- 8.6. Members of the Committee have the right to attend Committee meetings. The Deputy Secretary-General, together with other appropriate members of Secretariat management, will normally attend the meetings, at the invitation of the Chair.
- 8.7. The external audit partner and the internal audit partner (or their respective representatives) shall normally attend meetings at the invitation of the Chair.
- 8.8. The Chair may ask other any other officials of the Secretariat to attend to assist with its discussions on any particular matter.
- 8.9. The Committee may ask any or all of those who normally attend but who are not members to withdraw from the meeting to facilitate open and frank discussions of particular matters.
- 8.10. Minutes of Committee meetings shall be circulated promptly to all Committee members and regular invitees to the meeting. Once agreed, the minutes will be shared with the Secretariat and the Board.

## **9. Authority**

- 9.1. The Committee is authorised:

- 9.1.1. To seek any information it requires from any employee of the Secretariat in order to perform its duties;
- 9.1.2. To obtain, at reasonable expense to the Secretariat, outside legal or professional advice on any matter within its terms of reference; and
- 9.1.3. To call any employee or contractor to be questioned at a meeting of the Committee

as and when required.

## **10. Duties**

Internal Controls and Risk Management Systems – the Committee shall:

- 10.1. Keep under review the effectiveness of the Secretariat's internal controls and risk management systems.
- 10.2. Review any statements included in the Financial Statements concerning internal controls and risk management.

Financial Reporting – the Committee shall:

- 10.3. Monitor the integrity of the Secretariat's financial statements, reviewing significant financial reporting issues and judgments which they contain
- 10.4. Review where necessary the consistency of, and any changes to, accounting policies and the impact of any changes to the financial results.
- 10.5. Review whether the Secretariat has made appropriate estimates and judgments, taking into account the views of the external auditor.
- 10.6. Review the clarity of disclosure in the Financial Statements and the context in which these are made.
- 10.7. Review all material information presented with the Financial Statements.

## **11. External Audit**

The Committee shall:

- 11.1. Make recommendations to the Board in relation to the appointment, re-appointment and removal of the Secretariat's external auditor.
- 11.2. Participate in the selection process for new auditors and, if an auditor resigns, investigate the issues leading to such resignation and decide whether any action is required.
- 11.3. Keep under review the cost effectiveness of the external audit and the performance of the auditors.
- 11.4. Assess annually the external auditor's independence, objectivity and effectiveness taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services and considering employment of any ex-employees as external auditors.
- 11.5. Discuss at least annually with the external auditor their proposals for the nature, scope and planning of the audit and ensure proper co-ordination with the work of the internal auditor.
- 11.6. Review the annual audit plan and ensure it is consistent with the scope of the audit engagement.
- 11.7. Review the findings of the audit with the external auditor which shall include but not be limited to:

11.7.1. A discussion of any significant internal control or governance issues which were identified by the external auditor during the audit, as well as any accounting and audit judgments.

11.7.2. Levels of errors identified during the audit.

11.8. Review management's response to the auditor's findings and recommendations.

11.9. Have the opportunity to meet with the external auditor, at least once a year, without management being present, to discuss any issues arising from the audit.

## **12. Internal Audit**

The Committee shall:

12.1. Participate, with the Secretariat's management, in the selection process for the appointment and/or replacement of the internal auditor, including, where applicable, the assessment scoring process. If an auditor resigns, the Committee shall investigate the issues leading to such resignation and decide whether any action is required.

12.2. In conjunction with the Secretariat's management, monitor and review the effectiveness of the internal audit function in the context of the Secretariat's overall risk management system.

12.3. Consider the internal auditor's terms of reference (including review of the adequacy of the function's resources, appropriate access to information, adequate standing within the Secretariat and its freedom from management or other restrictions).

12.4. Assess the adequacy of the annual internal audit plan at the start of each year, monitor progress against such plan and seek explanations for any changes that occurred in the course of its implementation.

12.5. Consider internal audit reports and monitor management's responsiveness to the internal auditor's findings and recommendations.

12.6. Have the opportunity to meet with the internal auditors, at least once a year, without management being present, to discuss any significant issues arising from the audit work performed.

## **13. Risk Management and Control Environment**

The Committee shall:

13.1. Review and monitor the risk management framework and the adequacy and effectiveness of control processes in responding to risks.

13.2. Regularly review the strategic risk register and receive regular reports from management providing information on the major risks faced by the Secretariat

13.3. Prepare an annual risk report to the Board.

## **14. Reporting Responsibilities**

The Committee shall:

- 14.1. Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 14.2. Compile an annual report on its activities including frequency of, and attendance by members at Committee meetings, for consideration by the Board.
- 14.3. Be represented by the Chair or delegate at the annual Board meeting to present the annual report of activities.
- 14.4. Review with the Secretariat's Legal Advisor, on at least an annual basis, any legal matters that could have significant impact on the Secretariat's financial statements or applicable laws.

## **15. Whistleblowing and Fraud**

The Committee shall:

- 15.1. Review the Secretariat's arrangements, as set out in the Secretariat's Whistleblowing Policy, for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- 15.2. Advise the Board as to whether these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.
- 15.3. Review the Secretariat's procedures for detecting fraud.

## **16. Reimbursement of Relevant Expenses**

- 16.1. The Secretariat shall meet the reasonable cost of travel (within Greater London only) and expenses for the attendance of Audit Committee members at Committee meetings and for purposes directly related to their role as Committee members. Such travel and expense costs should be in line with the Secretariat's travel and expenses policies and procedures.

## **17. Resources**

- 17.1. The Secretariat shall provide logistic as well as administrative support to the Committee to enable it to carry out its duties.

## **18. Induction**

- 18.1. The Secretariat shall arrange suitable induction for members to familiarise themselves with the operations of the Secretariat.

## **19. Competence / Performance**

- 19.1. It is assumed that no professional training or development would be required for members of the Committee. However, members will be provided with appropriate training in matters relevant to the Secretariat if considered necessary by the Board Chair.

## **20. Conflicts of Interest**

- 20.1. If during the term of appointment, a Committee member's personal circumstances change in a way that may trigger a perceived or actual conflict of interest in their role as a Committee member, the member is obligated to declare the circumstances as soon as possible to the Chair of the Committee (and in the case of the Chair's own conflict, to each member of the Committee).
- 20.2. Depending upon the conflict of interest, the Committee by majority vote (which vote shall exclude the member in question), may require the member to resign from the Committee. Otherwise the member may be excused from the meeting when discussing topics where there is a conflict of interest and/or may be asked to recuse themselves from any vote on the relevant matter. The said conflict of interest shall be reported to the Chair of the Board or, if the Chair is implicated, to the Vice Chair of the Board.
- 20.3. Every year the Committee members shall complete and submit a declaration of interest form to the Chair and Committee members for inclusion in the annual report to the Board.

## **21. General**

- 21.1. The Committee shall give due consideration to relevant laws and regulations and the provisions of best practice codes related to internal control, governance and risk management (such as the Combined Code on Corporate Governance).
- 21.2. At least once a year, the Committee shall review its own performance and terms of reference to ensure it is operating effectively and share the results of such review with the Board, including any recommendations any changes it considers necessary for the Board's approval.