

Audit, Finance & Investment Committee

TERMS OF REFERENCE:	Audit, Finance and Investment Committee
VERSION:	1.0
DATE IN FORCE:	October 2022
PLANNED REVIEW:	October 2023

1. Purpose

The purpose of the Audit, Finance and Investment Committee (AFI) is to:

- a. Assist the Council in meeting its governance responsibilities with respect to financial reporting and controls, audit and investment management.
- b. Within the boundaries of this purpose, the Committee's scope is an advisory capacity to Council and does not relieve any Councillor or staff of their responsibilities for these matters.

2. Membership

- a. The committee shall consist of no fewer than three and no more than five Council members with relevant skills, experience, and general due diligence experience.
- b. Council may decide to co-opt other Council members or appoint an independent external advisor to the Committee should it wish to ensure the appropriate skills are represented.
- c. Council shall appoint the Chair and members of the Committee. The Committee Chair shall be any Council member other than the President. Council will review these appointments annually at its first ordinary meeting after the Annual General Meeting.

3. Operating Principles

- a. The Tumutaumatua/General Manager of Organisational Performance will be the main contact to the Committee on behalf of InternetNZ staff.

- b. In consultation with the Tumutaumatua/General Manager of Organisational Performance, the Committee shall nominate a member or staff member to act as the Secretariat.
- c. The Tumutaumatua/General Manager of Organisational Performance and Secretariat shall attend meetings of the Committee but shall not be members of the Committee.
- d. The Chief Executive will participate in the Committee on an as-required basis.

4. Meetings

- a. The Chair or delegate will chair all meetings.
- b. A meeting quorum will be three members of the Committee.
- c. Where no consensus can be reached in the Committee the matter will be brought to the Council.
- e. The Committee shall meet 3-4 times per year or as required for the effective operation and discharge of the Committee's responsibilities. Ordinarily, it is intended that three or four meetings per year are held.
- f. Council members who are not members of the Committee may attend any meeting either remotely or in person (except in the case of a conflict of interest, as determined by the Committee).
- g. InternetNZ staff may be invited to attend meetings at the discretion of the Committee (except in the case of a conflict of interest, as determined by the Committee).
- h. The Chair and the Secretariat shall agree to and distribute an agenda and any related papers one week before the meeting to members of the Committee and invited staff members.

5. Responsibilities

Subject to the limitations on the Committee's authorities contained in section 6, the Audit, Finance and Investment Committee will address the following areas:

The responsibilities of the Committee include:

Internal Control

- a. Assess the internal controls, oversight, monitoring and review of the financial systems. Review the adequacy of management of these risks, ensuring the Council is aware of all significant matters, as well as matters which may become significant (when appropriate).

- b. Consider how management ensures that financial-related security controls are being managed, e.g. segregation of duties, fixed assets, and payroll controls.
- c. Review any fraud, illegal acts, and deficiencies in internal controls or similar issues with the external auditors.
- d. Review the Delegated Financial Authority Policy on an annual basis.
- e. Review Council members' expenses on a quarterly basis.

Financial Reporting

- f. Review the annual and interim financial statements and determine whether they are complete and accurate and comply with appropriate accounting standards and legal requirements.
- g. Ensure that all regulatory compliance matters have been considered in preparing the annual accounts.
- h. Review significant accounting and reporting issues and understand their impact on the financial statements.
- i. Focus on complex and unusual transactions - a transaction that is outside the normal course of business for the company or that otherwise appears to be unusual due to its timing, size, or nature.
- j. Review non-financial XRB and Charitable reporting, e.g. Service Performance Reporting as per IFRS 48, for recommendation to Council.
- k. Review significant adjustments arising from the external audit.

External Audit

- l. Consider the appointment of the external auditor.
- m. Review the external auditors proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed upon the audit scope.
- n. Review the external audit management letter, management response, and audit findings report and provide recommendations to Council.
- o. Gain an understanding of whether internal control recommendations made by external auditors have been implemented.

Investment

- a. Draft, review, revise and recommend to Council for their approval the following governance documents:-
 - i. Statement Investment Policy Objectives (SIPO)
 - ii. The treasury, investment and reserves policy
- b. Assess investment strategy and risk

Select investment advisor(s)

- c. Recommend to Council the appointment or termination of investment consultants where appropriate.
- d. Recommend to Council appointment or termination of investment managers(s)
- e. Recommend to Council the terms of appointment of investment consultants or managers, including the level of portfolio management discretion, custody and dealing arrangements, and fees.
- f. Set and review with the investment manager(s) appropriate investment mandated, ensuring consistency with the written investment policy and long-term investment strategy.

Monitor and evaluate investment performance, service and cost

- g. Monitor the investment portfolio's long-term performance against the investment objective, ensuring compliance with the written investment policy.
- h. Establish appropriate performance benchmarks for the investment managers and monitor and evaluate performance over relevant time horizon terms.
- i. Periodically review the fees paid and appraise value for money.
- j. Monitor the liquidity to ensure that the spending commitments can be met.
- k. Monitor the performance and formally review the performance of any Investment Consultants.

Other responsibilities

- p. Perform other governance functions as requested by Council

6. Authority

- a. The Committee is an advisory committee and does not have power or authority. Unless explicitly empowered by the Council, committees or working parties cannot make binding Council decisions or speak for the Council. For the most part the function of committees and working parties, in fulfilling their role, is to make recommendations to the Council.
- b. Please see the Governance [Charter](#) for further guidance on Committees Page 11.

7. Internal Reporting

- a. After each Committee meeting, the Chair shall report the Committee's findings and recommendations to Council.
- b. The Committee will normally send the minutes of their meetings to Council, but can advise Council to keep some sections confidential.

8. Communication

- a. The Tumutaumatua/General Manager Organisational Performance and auditors shall be responsible for drawing to the Committee's immediate attention any material matter related to the Society's financial condition, material breakdown in internal controls, and any material event of fraud or malpractice.
- b. The committee shall maintain direct lines of communication with the external auditors, the Tumutaumatua/General Manager Organisational Performance, or appropriate staff.