

TERMS OF REFERENCE FOR ARC MEMBERS

SPC's Audit and Risk Committee

SPC's governing body is the Conference of the Pacific Community, which is charged with establishing the high-level, strategic orientations of the organisation. It meets every two (2) years at the ministerial level. In years when the Conference does not meet, the Committee of Representatives of Governments and Administrations (CRGA) is empowered to make decisions on governance issues.

The Audit and Risk Committee (ARC) is a sub-committee of the Committee of Representatives of Governments and Administrations (CRGA). ARC assists the CRGA in fulfilling its oversight responsibilities of the financial reporting process, systems of internal control, audit, risk management, effectiveness and efficiency of operations, and compliance with legal and regulatory requirements.

The Audit and Risk Committee Charter and all SPC's governance documents can be found in the [Pacific Community Governance Compendium](#).

The ARC consists of four (4) independent members, including the Chair, appointed by CRGA. None of the members can be staff of the Secretariat or have served as an employee of SPC within the last three (3) years.

Ethics and Conflicts of Interest

ARC members are expected to comply with the Code of Ethics and Rules of Conduct for Internal Auditors set by the Institute of Internal Auditors.

In fulfilling their responsibilities, ARC members will exhibit independence in their deliberations, with the interests of SPC alone in mind, and must not act as a representative of a particular area or a particular stakeholder interest. All members of the ARC shall reflect the highest level of integrity, shall serve in their personal capacity, and shall not seek or receive any instructions from any government, organisation or other authority in the performance of their duties. They shall not hold any position or engage in any activity that could impair their independence, in fact or in perception.

ARC members are required to report any potential conflicts of interest that may prevent them from fulfilling their responsibilities as an ARC member. Where a conflict of interest arises in relation to a particular agenda item, the member should be excused from the meeting for the relevant agenda item.

Members of the ARC will be selected for their individual expertise and experience, and to ensure an appropriate mix of skills.

At least one member of the ARC must possess substantial financial or accounting experience and expertise. Other members must demonstrate expertise and senior-level experience in audit, legal, governance, risk, ethics and/or oversight functions.

Members are required to be residing in the Pacific region.

The initial appointment will be for a maximum period of three (3) years. Members may not serve more than six (6) years.

Responsibilities

The ARC has responsibilities in the following key areas:

- a. review of the financial statements
- b. oversight of SPC's risk management functions
- c. oversight of internal and external audit programmes.

Review of the financial statements

The ARC must consider whether the statements are complete, consistent with information known to Audit and Risk Committee members, and reflect the requirements of the International Public Sector Accounting Standards (IPSAS). The ARC will review the financial statements with SPC's management team and external auditors. It will take into account the findings of the external audit of the financial statements and consider any significant accounting or reporting issues, and all matters required to be communicated to the ARC under IPSAS.

Oversight of SPC's risk management functions

The ARC will keep under review the effectiveness of the risk management and mitigation processes, and internal control systems.

As part of this function ARC will:

- a. understand the scope of internal and external auditors' review of internal control, including over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses
- b. ensure that risk management issues are adequately addressed
- c. ensure that timely and appropriate corrective action is taken by management
- d. keep under review the system for monitoring compliance with rules, regulations and laws
- e. ensure that attention is given to the effectiveness, efficiency and economy of operations.

The ARC may initiate, where necessary, special investigations of policies, procedures and practices. It may also review the effectiveness of systems for monitoring compliance with organisational regulations and policies.

The ARC will receive regular updates from management and the organisation's legal counsel regarding compliance matters.

All allegations of fraud, corruption and staff misconduct are reported to the ARC.

The ARC may receive complaints or allegations from whistle-blowers of alleged serious misconduct by senior management.

Oversight of internal audit programme

For SPC's internal audit function, the ARC is expected to:

- a. review with management and the internal auditors, the internal audit charter, activities, staffing, and organisational structure of the internal audit function
- b. review and approve the annual internal audit plan
- c. review the findings and recommendations in internal audit reports and any management responses
- d. review the effectiveness of the internal audit function, ensuring continued independence and its performance
- e. consult regularly with the internal auditor to discuss matters that the Audit and Risk Committee or internal audit believe should be discussed privately.

Oversight of external audit programme

For SPC's external audit function, the ARC is expected to:

- a. review, if necessary, the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit
- b. review the performance and effectiveness of external auditors
- c. review external auditors' management letter and management responses
- d. consult with external auditors to discuss any matters that the Audit and Risk Committee, external auditors or internal audit function believe should be discussed separately.

In addition, the ARC will provide advice to the CRGA on the appointment of external auditors and the terms of those appointments.

The ARC is expected to provide a mechanism for open communication between internal auditors, external auditors, management and the CRGA chair. As such, ARC will provide an annual report to CRGA.

The ARC will meet at least twice annually, but usually meets three (3) times each year. Additional meetings may be called by the Chair, as needed. The meetings are typically held in Noumea, New Caledonia or Suva, Fiji, or remotely by videoconference, as decided by the ARC. All ARC members are expected to attend each meeting, in person or via tele- or video-conference.

The deliberations of the ARC and the minutes of its meetings are confidential. The supporting documents circulated to ARC members shall be used solely for that purpose and treated as confidential.

ARC members shall act in an independent, non-executive capacity while performing their advisory role in the ARC. As such, ARC members shall not be held personally liable for advice provided by the ARC acting as a whole.

ARC members shall be indemnified from actions taken against them as a result of activities performed in the course of business of the ARC, provided such activities are performed in good faith and with due diligence.

Remuneration

ARC members, who are not domestic or international public servants, will be paid an honorarium for their participation in meetings.

The honorarium will be set at the time of the member's appointment and will be linked to the United Nation's consultant's remuneration scale. The Chair will be paid at a higher daily rate than other members.

SPC will pay for members' travel and per diems for attendance at any face-to-face meetings.