



# Terms of Reference For Audit, Compliance and Risk Management Committee

**Methven Limited**

<b>Policy :</b>	<b>Approved By:</b>	<b>Date:</b>
<i>Audit, Compliance &amp; Risk Management Committee ToRs</i>	Board of Directors	25 Feb 2010

<b>Review Period :</b> Annually
<b>Sponsor :</b> CFO, Deidre Campbell

**Developed by:** Debby Butler, Governance in Practice ©

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**Committee Purpose** The Committee exists to assist the Board in fulfilling its responsibilities in the areas of financial and risk management.

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**Committee Objectives**

1. Reviewing financial statements provided to shareholders and other parties;
2. Reviewing and ensuring internal control systems are adequately implemented by management including the Delegated Authorities Policy;
3. Reviewing the external audit process;
4. Identifying and responding to significant business risks;
5. Facilitating communication between the auditors and the Board in relation to financial reporting matters requiring consideration by the Board; and
6. Managing the legislative compliance and risk management and internal audit programme.

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**Definitions**

Term	Definition
Board	The Board of Directors of Methven Ltd.
Company	Methven Limited and its subsidiary companies together or individually as the context implies.
Company Officer	Director or employee of Methven or its subsidiaries.
CEO	Chief Executive Officer of the Methven Group and/or subsidiary as the context implies.
CFO	Chief Financial Officer of the Methven Group and/or subsidiary as the context implies.
Committee	The Audit, Compliance & Risk Management Committee
Auditor	External/Independent auditor appointed by the Committee,

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**Composition** The members of the Committee, and the Chairman of the Committee are appointed and removed by the Board. The Chairman of the Committee will be an independent member, and will not be the same as the Chairman of the Board.

There are to be a minimum of three members, all of whom are to be non-executive directors, and the majority of whom will be independent.

At least one member of the Committee will have accounting or financial expertise and/or qualifications as considered satisfactory by the Board.

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**Meetings** A quorum is a majority of the Committee.

Members of the Committee may participate by way of telephone conference as long as all members participating can hear each other.

The Committee will meet at least three times per year having regard to when statutory financial requirements such as annual report, half year report, are required to be complete.

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Any member of the Committee or the Group CEO may request a meeting of the Committee at any time if they consider it necessary.

Reasonable notice of meetings and the business to be conducted are to be given to members of the Committee, the Group CEO, the auditor as necessary, and all other members of the Board.

The Committee may have in attendance at its meetings, members of management and any other persons or advisors as it considers necessary.

The Board appoints a secretary for the Committee, and minutes are to be kept for every meeting.

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## **Responsibilities**

The Committee is required to:

1. Make recommendations to the Board on the appointment and remuneration of the external auditor and review the auditor's performance annually;
2. Consider with management, the audit scope and annual plan of the auditor;
3. Review with management and the auditor, the co-ordination of audit effort to ensure completeness of coverage and to assess the working relationship between the external auditor and management;
4. Consider and review with management and the auditor during the year:
  - a. the adequacy of internal controls including computerised information systems control and security
  - b. any related significant findings and recommendations of the auditor, together with management's responses
  - c. the appropriateness of accounting policies; including any changes, relevant accounting standards and legislation impacting on the preparation of financial statements
  - d. written representations from management and lawyers
  - e. whether the group continues to meet the going concern assumption now and in the foreseeable future
  - f. the treatment of transactions which are significant, unusual or require substantial judgement;
5. Review with management and the auditor at the completion of the annual audit:
  - a. the Group and companies' financial statements and related note disclosures including the assessment of significant estimates and judgements in the financial statements
  - b. any significant findings or recommendations of the auditor and management's responses
  - c. any disputes or difficulties encountered in the course of the audit including restrictions on the scope of the audit work or access to required information
  - d. any changes required in the scope of the audit plan;
6. Review with management and the auditor significant areas of risk and exposure facing the Group, and to assess the steps taken to minimise such risks including:
  - a. Business continuity
  - b. Treasury and foreign currency
  - c. Cashflow
  - d. Environment
  - e. Legislative, and
  - f. Fraudulent activity;

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7. Review annually the appropriateness of insurance cover and make recommendations to the Board if needed.
  8. Review legal and regulatory filings associated with the financial statements and other reports required to be filed;
  9. Meet with management, external auditors and Company's internal auditor in separate sessions to discuss any matters that the Committee or these parties believe should be discussed privately with the Committee;
  10. Review and recommend to the Board, company policies; and
  11. Review, monitor and report to the Board on an appropriate legislative compliance and risk management programme.
  12. Review and approve the internal audit activity's plans and resource requirements.
  13. Receive summary of internal audit's work schedule and financial budget to ensure that there are no constraints that will impede the ability of the internal audit function to execute its responsibilities.
  14. Review evaluations of risk management, control and governance processes reported by the internal auditor.
  15. Directly communicate with the Manager, Internal Audit and Risk Management who attends and participates in meetings as required.
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## **Authorities**

The Committee may conduct or authorise investigation into any matters within the Committee's Responsibilities and is authorised by the Board, at the expense of the Company, to obtain independent counsel, engage the advice of independent accountants, or other external parties in order to assist in the conduct of any investigation.

Management are to promptly advise the Committee of any matters requiring its attention. If management becomes aware of any fraudulent activity in the Company this will be notified to the Chairman of the Committee immediately.

The Chairman of the Committee may deal directly with the auditors on behalf of the Committee or through the Committee Secretary in relation to meetings and the content thereof.

The Committee will require of the auditors:

- A summary of the audit approach
- A summary of audit staffing
- A summary of control weaknesses
- Recommendations on changes to accounting policies and disclosures.

The external auditor reports directly to the Committee. The auditors will be instructed to advise the Committee on any matter requiring its attention.

The Manager of Risk Management and Internal Audit has a functional reporting line to the Audit, Compliance and Risk Management Committee and administrative reporting line to the Group CFO.

The Chairman or any member of the Committee can be contacted individually on a formal or informal basis, by the auditors.

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**Reporting and  
Accountability**

After each meeting, the Chairman of the Audit, Compliance & Risk Management Committee will report the Committee's recommendations, findings and activities to the Board.

The minutes of Committee meetings will be circulated to members of the Board. Extracts of the minutes are made available to members of management and other Company Officers as the Board directs, in order for Company Officers to properly carry out their functions.

The Committee, the Board, and the Group CEO will review annually the Committee's performance against its objectives and responsibilities and against these Terms of Reference.

The Board will review annually these Terms of Reference.

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**Reference**

Risk Management Policy

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