



Audit and Risk Committee Charter

Terms of Reference

1. Remit

- (a) **Audit function**
To oversee the Organisation's financial position, performance and reporting integrity including internal and external audit functions of the Organisation.
- (b) **Risk function**
To oversee, review and make recommendations on actions specific to risk identification, management and mitigation for the Organisation.
- (c) **Prudential investment function**
To oversee and endorse the organisation's policy and strategy as to investment of the Organisation's available financial resources.

2. Scope

- (a) **Audit function**
The scope of the Audit Committee's remit will include, but not be limited to:
- (i) **Financial Statements and Reporting**
- Overseeing the adequacy of the Organisation's reporting processes.
 - Overseeing whether the Organisation's financial statements reflect the understanding of the Committee members and whether in their opinion they provide a true and fair view of the financial position and performance of the Organisation.
 - Reviewing, the appropriateness of relevant accounting judgements or choices exercised by management in preparing the financial statements.
 - Reviewing policies and practices in meeting legal and regulatory compliance obligations, including reporting to the ACNC and the Australian Tax Office.
- (ii) **External Audit**
- Recommending selection, removal (as appropriate) and remuneration of external Auditor and to monitor external Auditor independence.
 - Providing instruction to the external Auditor including ensuring the scope and adequacy of the external audit or review (as applicable).
 - Overseeing the availability of any assistance as reasonably required by the external Auditor.
 - Receiving external Auditor's preliminary audit or review Reports.
 - Overseeing and monitoring implementation of external Auditor's recommendations (as accepted).

- Ensuring that the audit approach covers all financial statement areas where there is a perceived risk of material error or misstatement.
 - In monitoring external Auditor independence, the Committee will have regard to any legislative or regulatory requirements, and the following principles:
 - It is mandatory that the Audit Partner responsible for the Audit be rotated at least every ~~five~~~~seven~~ years with at least ~~two~~~~three~~ years expiring before the Audit Partner can again be involved in the Audit of the Organisation;
 - Monitor the number of former employees of the external Auditor who were involved in auditing the Organisation and who are currently employed in senior financial positions in the Organisation, and assess whether this impairs or appears to impair the Auditor's judgement or independence in respect of the Organisation. An individual who was engaged by the external Auditor and participated in the Organisation's audit or review shall be precluded from employment as CEO or CFO of the Organisation for a period of at least 12 months from the time of the audit or review.
 - Consider whether taken as a whole, the various relationships between the Organisation and the external Auditor and the economic importance of the Organisation (in terms of fees paid to the external Auditor for the Audit or review as well as fees paid to the external Auditor for the provision of non-Audit services) to the external Auditor impair or may appear to impair the Auditor's judgement or independence in respect of the Organisation;
 - Ensure the Organisation does not engage its external Auditor for certain non-audit services (e.g. bookkeeping, financial information systems design, valuations, actuarial services, internal audit outsourcing, human resources and audit non-related legal/expert services) where such work, or the aggregate of such works, or the fees therefrom, may otherwise prejudice or compromise the Auditor's independence. Any proposal to grant the external Auditor non-prohibited non-audit services will be referred to the chair of the Committee by management prior to granting the work.
 - Meeting with the external Auditors without the presence of management.
 - In the selection and appointment of the external Auditors the guidance in the terms of Attachment 1 are incorporated into these Terms of Reference.
- (iii) Internal Audit
- Overseeing and monitoring the scope and adequacy of the Organisation's internal controls and compliance requirements to assure integrity in the Organisation's operations and affairs.
 - Assessing the need, or otherwise, for the Organisation to have a dedicated internal audit charter, internal audit plan and/or internal auditor (and if so approving such charter, plan and appointment of the internal auditor).
 - Approving and ensuring resourcing of the internal audit function, as appropriate, including budgetary allocation for staffing and external consulting support (as necessary).

- Reviewing and assessing the performance and objectivity of the Organisation's internal audit function, as applicable.

(b) Risk function

The scope of the Committee's remit will include, but not be limited to:

(i) Risk Management

- Approve and monitor policies for identifying and managing/mitigating/transferring risk including in accordance with the Organisation's risk management policy (refer Appendix J of the Charter).
- Approve and monitor policies for business continuity and crisis planning risk management.
- Receive ongoing risk management reports.
- Review of risk management framework, policies and management processes at least annually to allow the Committee to satisfy itself that they are sound.

(ii) Insurance

- Review and ensure the Organisation carries appropriate levels of insurance.
- Review and monitor terms of insurance policies.

(c) Prudential investment function

To endorse and from time to time review the Organisation's policies and strategies as to the investment of the Organisation's financial resources.

(d) Generally

(i) Reviewing and reporting on these matters to the Board, with recommendations as appropriate, including as to:

- The application of accounting policies and reporting of financial information to members, regulators and generally.
- The adequacy of the Organisation's processes for managing risk.
- Any incident involving fraud or other material breakdown of the Organisation's internal controls;
- The Organisation's insurance program, including having regard to the Organisation's operations and the insurable risks associated with its operations.

(ii) The Committee has the authority to access information and consult with and interview Organisation personnel, internal auditors and external auditors and also to consult independent professional advisers it considers appropriate to provide advice on matters within the scope of its remit.

The Committee may be requested by the Board to perform other related tasks.

3. Governance

The pro forma guidelines of governance structure and procedural workings for Committees in accordance with the Organisation's Governance Charter applies to the Committee subject to the following:

(a) Membership of the Committee

(i) Members

- Chair – Independent non-executive member of the Board, other than the Board Chair, who is appointed by the Board.
 - Other members – Between 2 and 4 other qualifying Board members appointed by the Board.
- (ii) Special requirements (if any)
- All Committee members must be non-executive.
 - Committee members between them should have accounting/financial and risk management expertise and sufficient understanding of the Organisation's industry to effectively discharge the Committee's mandate.
 - Desirably Committee members should at least be financially literate.
 - The Committee chair should not be the Board Chair and desirably should have financial or accounting expertise or experience.
 - The following executive officers will generally be available to attend Committee meetings at the discretion of the Committee:
 - CEO
 - CFO
 - Secretary
- (b) Other Special Provisions
N/A

Attachment 1

Guidance for the selection and appointment of an external auditor (as necessary)

1. Introduction

The Board is responsible for the preliminary appointment of the external auditor which is to be ratified by members at the next annual general meeting.

The Board's Audit and Risk Committee ("**Committee**") is delegated the task to meet and determine the process by which the auditor should be selected e.g. by way of a formal tender or some other method.

The Committee conducts the selection process and recommends a preferred external auditor to the Board. The Board may endorse the external auditor recommended by the Committee and tentatively appoint him/her. Alternatively the Board may wish to review the recommendation of the Committee.

At the request of the Committee, the CFO and/or CEO may assist the Committee in the selection and appointment process including by proposal of an external auditor, together with a written supporting submission.

2. Tender

(a) Request for submissions

If the Committee elects to undertake a tender process, the CEO or CFO will prepare or cause to be prepared a draft request for submissions that will be reviewed for approval by the Committee (with such changes as it considers appropriate).

The request should contain sufficient information to enable a proposal and fee estimate to be given to the Company. The request should include information about the Organisation, its operations, its key personnel, its structure, its financials and any other relevant information.

The CEO or CFO may arrange for candidates to meet with a selection panel appointed by the Committee.

(b) Selection Panel

The selection panel will comprise nominated members of the Committee, and any other person the Committee considers appropriate to assist it to assess the suitability of the external auditor.

3. Selection Criteria

The preferred external auditor should best satisfy the selection criteria identified by the Committee including:

(a) Fees

A candidate should provide a firm fee quotation for its audit services. However price will be but one of the relevant factors in the selection of a preferred external auditor.

(b) Independence

A candidate must satisfy the Committee that it is independent and outline the procedures it has in place to maintain its independence.

The external auditor must be independent from, and be seen to be independent from, the Organisation.

(c) Scope of audit/issues resolution

A candidate should outline its response to the scope of audit in the request for submissions and any proposed procedures to address any issue of material significance or matter of disagreement with the Organisation's management.

The external auditor and the CFO will be required to disclose to the Committee all such issues of material significance and all matters of disagreement, whether resolved or unresolved.

(d) Non-audit work

A candidate must detail its approach to the provision of non-audit related services to the Organisation. Generally such work should be at most immaterial.

If proposed otherwise, the Committee must consider the circumstances in which the Organisation might use the external auditor for non-audit services. Matters to be considered include the extent, scope and potential value of non-audit fees and any circumstance where the external auditor may be required to review and rely upon work conducted by it in a non-audit capacity.

The scope of non-audit work must not be allowed to impinge upon the external auditor's independence (refer also paragraph 4 below).

(e) Other matters

The selection criteria may include such other matters as the Committee thinks fit.

4. Policy on audit and non-audit services

The Committee may develop a policy that sets out the circumstances in which the Organisation may use the external auditor for other services. A copy of this policy will be provided to the external auditor.

The policy will be based on the following principles:

- (a) the external auditor may provide audit and audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor;
- (b) the external auditor should not provide services that are perceived to be materially in conflict with the role of auditor;
- (c) the external auditor may be permitted to provide a limited number/value of non-audit services that are perceived to be not materially in conflict with the role of auditor, subject to the approval of the Committee;
- (d) exceptions may be made to the policy (with specific Board approval) where the variation is in the best interests of the Organisation and arrangements are put in place to preserve the integrity of the external audit process.

5. Rotation of external audit engagement partner

The Committee will ensure that the external auditor has in place arrangements for rotation of the audit engagement partner.

The audit engagement partner for the audit must rotate at least every 5 years.

6. Review of audit arrangements

The Committee will periodically review the external auditor's performance, at least annually. As part of this review, the Committee will obtain feedback from the CEO, CFO and other members of senior management regarding the quality of the audit service.