



## Audit & Risk Committee Charter

Version No: 5  
File No: INT13-02863  
Resolution No: R/2014/04/328  
Resolution Date: 17 April 2014  
Revision Date: 17 April 2016

### 1 Version Control

Version	Date	Responsible	Comments on changes
1.0	Dec 2008	GM Operations	Version Control added
1.1	Mar 2009	GM Employee & Customer Relations	Update to Section 4.1.5
1.1	Mar 2009	GM Employee & Customer Relations	Added Section 4.1.6
1.2	Mar 2011	GM Employee & Customer Relations	Amended Section 4.1.2 and Section 4.1.4
1.3	Sep 2011	GM Employee & Customer Relations	Tri-annual review of Charter - Amended Sections 2,3,4.1.7,4.2.5, 5.1, 5.1.2, 5.5, 5.6, 5.7, 5.10, 6, deleted Self-Assessment questionnaire and applied the Corporation's new style guide.
1.4	Nov 2012	GM Employee & Customer Relations	Full review by the A&RC – Amended Sections 2, 3, 4,5.1.6, 5.2.3, 6.1, 6.1.1, 6.1.2, 6.1.4, 6.5, 6.6, 6.7, 7, and 8 and 6.10
2	Dec 2012	Executive Assistant	Amended version as per new Board 2012
3	April 2013	Directors	Directors Review
4	19 April 2013	Directors	Accepted Charter
5	27 March 2014	Financial Accountant (Audit Secretary)	Tri-annual review of Charter – Amended sections 3, 4, 5.2.2, 5.3.2, 5.3.3, 6.1.4, 6.2, 6.4, Consolidated 6.7 and 6.8 into 6.1.5, Deleted duplicated items in 6.6, Added clause re environmental obligations (6.7).

### 2 Purpose of the Charter

The purpose of this Charter is to document the objectives, responsibilities and administration of the Audit and Risk Committee of Westernport Region Water Corporation ("the Corporation").

### 3 Purpose and Objectives of the Committee

The Committee's purpose is to assist the Board in fulfilling its oversight responsibilities for the financial and operational performance reporting process, risk management, the system of internal control, the audit process and the Corporation's process for monitoring compliance with laws and regulations and the Directors Code of Conduct (issued by the Public Sector Standards Commissioner).

The Corporation's Audit and Risk Committee ("the Committee") will assist the Corporation's Board ("the Board") in discharging its corporate governance responsibilities. The Committee's Terms of Reference are to undertake the monitoring, review and oversight of:

- The financial performance and the financial and operating performance reporting process of the Corporation, including the annual financial statements, the annual performance report and the annual report.
- The scope of work, performance and independence of internal audit and of the Internal Auditor.
- The scope of work, independence and performance of the External Auditor.
- The operation and implementation of the risk management framework and practices.
- Matters of accountability and internal control (including business continuity) affecting the operations of the Corporation.
- The effectiveness of management information systems and other systems of internal control.
- The acceptability of and correct accounting treatment for and disclosure of significant transactions which are not part of the Corporation's normal course of business.
- The review of accounting policies, principles, developments and disclosure requirements.
- The Corporation's process for monitoring compliance with laws and regulations and its own Code of Conduct and Code of Financial Practice.
- Any other matters referred to it by the Board.

In performing its duties, the Committee will maintain effective working relationships with the Board, Management, and the Internal and External Auditors.

To perform his or her role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Corporation's business, operations and risks.

## 4 Authority

The Board authorises the Committee, within the scope of its responsibilities, to:

- Perform activities within its Terms of Reference.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Seek any information it requires from:
  - Any employee (and all employees are directed to co-operate with any request made by the Committee);
  - Internal and external audit;
  - External parties.
- Obtain outside legal or other professional advice to assist in undertaking its oversight responsibilities.
- Ensure the attendance of the Corporation's officers at meetings as appropriate.
- Present its findings and make recommendations to the Board.

The Committee has no executive power over its findings and recommendations.

## 5 Organisation

### 5.1 Membership

- 5.1.1 The Committee will comprise at least three Board Members all of whom are non executive directors and a majority of whom are independent based on the requirements of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*.

- 5.1.2 The Committee may appoint an external independent member to the Committee who will be financially qualified and have substantial experience in audit and risk management. This member will be engaged solely for the purposes of this Charter and will not be a non-executive director of the Corporation nor hold any other responsibilities at the Corporation.
- 5.1.3 Each member should be capable of making a valuable contribution to the Committee and will have qualifications outlined in the Standing Directions of the Minister for Finance under the Financial Management Act 1994.
- 5.1.4 Each member should have no personal financial interest in the Committee's findings or recommendations to the Board and have a good knowledge of corporate governance practice relevant to the public sector.
- 5.1.5 The Chair of the Committee will be one of the independent members of the Committee (a non-executive director or the external independent member) and will be appointed by the Board from time to time. The Chair of the Committee (who is not to be the Chair of the Corporation) will be appointed in accordance with appropriate governance regulations and codes of practice.
- 5.1.6 For each meeting the Chair will set the Committee's Agenda, ensure that key issues are discussed and that there are no conflicts of interest or duty.
- 5.1.7 Members are appointed for the duration of their term with the Corporation (usually 3 years) and in the absence of a vacancy for any other reason the longest serving member's position on the Committee will come up for membership renewal each year.
- 5.1.8 A quorum for any Committee meeting will be two (2) members.
- 5.1.9 The Board may appoint alternate members to the Board committees in order to obtain a quorum for the committee meetings.
- 5.1.10 The Secretary of the Committee will be a Corporation Manager approved by the Board. The Secretary may not be a member of the Committee.
- 5.1.11 Each new member is required to have completed the Committee induction requirements, consistent with the requirements of the Standing Directions of the Minister for Finance under the Financial Management Act 1994. Committee induction is a sub-set of the overarching Board Induction process.

## **5.2 Attendance at Meetings**

- 5.2.1 The Committee may invite such other persons (eg. the Managing Director, Chief Financial Accounting Officer etc) to its meetings as it deems necessary.
- 5.2.2 The Internal and External Auditors will be invited to make presentations to the Committee as appropriate.
- 5.2.3 Meetings shall be held not less than 4 times a year. Special meetings may be convened by the Chair of the Committee as required.
- 5.2.4 The Committee should formally meet at least once per year with the Internal Auditor to receive reports, review internal audit functions and set strategic direction for internal audit.
- 5.2.5 The Committee should formally meet in camera with the External Auditor at least once per year to receive reports or discuss issues arising from the conduct of the audit.
- 5.2.6 The agenda and supporting documentation should be delivered to the Committee members at least three working days prior to each meeting.

## **5.3 Reporting**

- 5.3.1 The Committee will report to the Board, at the first Board meeting subsequent to each Committee meeting, regarding the proceedings of each Committee meeting, the outcomes of the Committee's reviews and recommendations and any other relevant issues.

- 5.3.2 The proceedings of all meetings will be minuted to reflect the work done by the Committee. Copies of the minutes are to be distributed to all Board members with their agenda for the next ordinary meeting of the Board following the meeting.
- 5.3.3 The Committee will ensure that its charter is published on the Corporation's website and that a copy is provided to each member of the Committee.

## **6 Areas of Responsibilities**

The main role of the Committee is to monitor, review, oversee, make recommendations and advise the Board on the following areas of responsibility:

### **6.1 The financial performance and the financial and operating performance reporting processes, including the Annual Financial Statements, Annual Statement of Performance and Annual Report.**

The Committee will monitor, review and oversee the following:

#### **6.1.1 Auditor-General Audit Function**

- Meet prior to the Auditor-General's representative's on-site audit to review and consider the audit strategy, the statement of performance and the draft financial statements and notes to the accounts of the Corporation.
- Meet with the Auditor-General's representative during the annual audit function to discuss the findings and to consider any improvements suggested about the Corporation's financial and corporate performance.

Make recommendations to the Board on any issues or performance improvements suggested by the Auditor-General or the Auditor-General's representative.

#### **6.1.2 Annual Financial Statements and Statement of Performance and Reports**

Review any interim financial statements, annual financial statements, annual statement of performance and preliminary announcements prior to their release to determine whether they are complete, reflect appropriate accounting principles, contain appropriate disclosures, and are consistent with the information known to Committee members. In discharge of this responsibility the Committee is to:

- Ensure accounting policies are consistently applied and any new accounting standards requirements related to the Corporation are appropriately reflected.
- Pay particular attention to complex and/or unusual transactions such as major policy or procedural changes, measurement and reporting of financial instruments, where applicable.
- Focus on judgmental areas of the financial statements, for example those involving revenue recognition, valuation of assets and liabilities, environmental liabilities and other commitments and contingencies.
- Focus on the compilation process and appropriateness of assumptions used for annual statement of performance reporting.
- Meet with management and the External Auditors to review the financial statements, statement of performance and the results of the audit.
- Ensure that any significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practices have been discussed with the External Auditor.
- Obtain the relevant representations from management as to the preparation of the financial statements.

### 6.1.3 Significant movements from Budget and Reporting

- Review significant accounting and reporting issues and discuss with management significant movements or trends in the financial statements between periods and from budget.
- Ensure that explanations are consistent with the Committee's understanding of the business.

### 6.1.4 Review of Financial and Operating Performance Information submitted to Government Agencies, including DEPI, OLV, DTF and ESC.

- Review management's processes for ensuring and monitoring compliance with laws, regulations and other requirements on the external reporting of financial and non-financial information.
- Make recommendations to the Board on their approval or amendment.

### 6.1.5 Review of accounting policies

- Review and make recommendations to the Board on any specific changes to finance, accounting standards, policies or reporting practices that will affect the Corporation.
- Review and report to the Board on the methods used to account for and disclose significant unusual transactions which are not part of the Corporation's normal course of business.

## **6.2 The scope of work, performance and independence of internal audit and of the Internal Auditor**

- Annually review and set the strategic direction of the Internal Audit Plan.
- Recommend the Internal Audit Plan to the Board for approval.
- Review and approve the scope of the Internal Audit Plan,
- Ensure that the annual work program of internal audit includes an analysis of the effectiveness of the Corporation's risk management, internal compliance and control system, and covers the material business risks of the Corporation.
- Monitor the progress of the Internal Audit Plan and work program.
- Meet with the Internal Auditor to review each of the Audit programs, the recommendations and the management response.
- Prioritise and make recommendations to the Board on the final outcomes of the internal audit.
- Monitor the implementation of the internal audit recommendations approved by the Board.
- Review the effectiveness of the internal audit function and ensure that it has appropriate standing within the Corporation.
- Ensure significant findings and recommendations made by the Internal Auditors are received, discussed with a course of action agreed and that this is implemented on a timely basis.
- Annually review the Internal Audit Charter.

## **6.3 The scope of work, independence and performance of the External Auditor**

- Annually review with the External Auditor any audit problems or difficulties the Auditor encountered in the normal course of audit work including any restriction on audit scope or access to information.

- Ensure significant findings and recommendations made by the External Auditors are received and discussed on a timely basis.
- Ensure management responds promptly to recommendations made by the External Auditors.
- The Committee shall extend an invitation to the External Auditor to attend scheduled meetings.
- Discuss with the External Auditor the quality of accounting policies applied in the company's financial reporting.
- Meet separately with the External Auditors to discuss any matters that the Committee or Auditors believe should be discussed privately.

#### **6.4 The operation and implementation of the risk management framework and activities**

- Oversee the effectiveness of the risk management framework and practice management improvements.
- Oversee the corporate risk identification, assessment and management function and make recommendations to the Board on strategies and areas of improvement or change.
- Ensure there is a regular review and update of the Corporation's risk management framework and risk profile.
- Assess adequacy of corporate processes to manage insurable risks.
- Review the adequacy of insurance cover of the Corporation and make recommendations to the Board on changes when needed.
- Review the current areas of greatest business risks and how these are being managed by the Corporation.
- Monitor performance of management in implementing risk management responses and internal control rectification activities and ensure that there are appropriate systems in place for identifying and monitoring risks and that these are operating as intended.
- Review the Corporation's risk management processes for compliance with applicable laws, regulations and standards.

#### **6.5 Matters of accountability and internal control affecting the operations of the Corporation**

- Ensure any internal control recommendations made by the Internal and External Auditors, and approved by the Committee, have been implemented by management i.e. track all agreed action points from audit.
- Evaluate the process the Corporation has in place for assessing the effectiveness and efficiency of, and continuously improving internal controls, particularly those related to areas of significant risk e.g. fraud, code of ethics, business continuity and emergency management etc.
- Assess whether management has appropriate controls in place for unusual types of transactions and/or any particular transactions that may carry more than an acceptable degree of risk.
- Monitor the compliance and functionality of delegations of the Corporation for purchasing and treasury functions.

## **6.6 Review the effectiveness of management information systems and other systems of internal control**

- Assess whether management has appropriate controls in place for information security including IT systems security and has addressed any areas or threats that may carry more than an acceptable degree of risk.
- Assess whether the Corporation has adequate off-site backup systems and disaster recovery plans.
- Assess the integrity of information generated by the Corporation's systems.
- Oversee the occupational health and safety system and make recommendations to the Board on strategies and areas of improvement or change.
- Monitor performance of management in implementing required actions and internal control rectification activities and ensure that there are appropriate systems in place for identifying and monitoring risks and that these are operating as intended.

## **6.7 Review environmental management controls and activities to ensure the organisation meets its environmental obligations**

- Ensure the Committee maintains knowledge of environmental matters relevant to the organisation and have an understanding of the nature of the operation of the business or undertaking and general environmental issues associated with those operations.
- Oversee the environmental management system and make recommendations to the Board on strategies and areas of improvement or change.
- Ensure that those engaged in the business or undertaking activities on behalf of the organisation have in place and implement processes for complying with any duty or obligation of the organisation.

## **6.8 The Corporation's process for monitoring compliance with laws and regulations and its own code of conduct and code of financial practice**

- Monitor the Corporation's compliance with relevant legislation, its own code of conduct and code of financial practice and specifically the legislation that is reportable in the Annual Report.
- Monitor legislative and regulatory changes that may have a significant impact on the Corporation and recommend to the Board appropriate responses or strategies to ensure compliance by the Corporation.
- Monitor compliance with the Borrowing and Investment Powers (BIP) Act 1987 requirements.
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
- Obtain regular updates from management regarding compliance matters that may have a material impact on the Corporation's reputation or financial statements and performance reporting.
- Make appropriate enquiries to satisfy itself that all regulatory compliance matters, related to the business of the Corporation, have been considered in the preparation of the financial statements and other regulatory reports.
- Review the findings and recommendations of any examinations by regulatory agencies.
- Review the process for communicating the code of conduct to the Corporation's employees, and for monitoring compliance with the code.
- Ensure the Corporation fulfils its regulatory compliance reporting in the required timeframe.

#### **6.9 Any other matters referred to it by the Board**

Oversee special investigations as needed or as referred to it by the Board.

#### **7 Performance**

The Committee's performance will be reviewed annually and reported to the Board.

#### **8 Charter Review**

The Committee will review its Charter three (3) yearly or earlier, should it be required. The outcomes from this review are to be recommended for approval by the Board and the outcome documented in the Board minutes.