

REDFERN WATERLOO AUTHORITY
AUSTRALIAN TECHNOLOGY PARK
AUDIT AND RISK MANAGEMENT COMMITTEE
TERMS OF REFERENCE

Overview

This document represents the Charter of the Redfern Waterloo Authority (RWA) and Australian Technology Park (ATP) Audit and Risk Management Committee (the Committee). The Charter provides defined authorities and accountabilities of the Committee.

The Committee is the focal point for communication between the Board, the external auditors, the internal auditors and management, as their duties relate to risk management financial accounting, reporting and internal controls and compliance.

The primary responsibility for financial and other reporting, internal control, compliance with laws, regulations, and ethics and management of risk within the Authority rests with Executive management. The Committee does not take over the responsibilities that the Chief Executive Officer has under the Public Finance and Audit Act.

The Board and the Chief Executive Officer has oversight responsibility in the above areas. However, the Committee assists the Board and the Chief Executive Officer in fulfilling these responsibilities. The Committee is to have unrestricted access to all information, including documents and personnel, and needs to be adequately resourced to fulfil its oversight responsibilities.

The Committee's risk management role is to follow the guidelines and strategies outlined in the NSW Audit Office publication *Performance audit report: risk management in the NSW public sector* and the NSW Treasury *Risk Management and Internal Control Toolkit*.

A key aspect of the Committee's role is to ensure that the Authority is effectively managing the risk to its overall reputation. The RWA is a small but high profile entity, particularly in the Redfern Waterloo area, and its reputation as a professional, capable and functional organisation is critical to its success in achieving its stated objectives.

The Committee is established with the approval of the Board. This charter specifies the purpose, membership, function and roles of the Committee.

The right of the external auditors to meet with the full Board of Directors is, however, not restricted. The delegation of various functions to the Committee does not relieve the Board of Directors of its duties and responsibilities, but merely assists it in carry out these responsibilities.

1. PURPOSE

The Audit and Risk Management Committee is established to provide advice and support to the Board and the Chief Executive Officer in:

- (a) managing the effectiveness of risk management strategies and internal controls.
- (b) reviewing all aspects of the internal audit function within the Authority, including assessing the effectiveness of the function;
- (c) reviewing the adequacy and quality of the internal control structure;
- (d) fulfilling the legal requirements of Section 11 of the *Public Finance and Audit Act 1983*;
- (e) reviewing the Authority's financial statements and financial reporting generally;
- (f) assessing the performance of the Authority's financial and operational management;
- (g) reviewing the timeliness and appropriateness of management responses to audit reports;
- (h) reviewing and assessing all aspects of the Authority's internal audit function, from the approval of the charter through to the review of audit results;
- (i) reviewing major risks to the Authority, particularly in relation to any major undertaking it is conducting
- (j) The committee shall meet at least every quarter to perform its function.

The Committee's role is strictly advisory. The Board and the Chief Executive Officer has overall accountability and responsibility for the management of the Authority and therefore is under no obligation to accept either in full, or in part, any advice offered by the Committee.

2. MEMBERSHIP

2.1 Membership of the Committee shall include:

- (a) Chair
- (b) Independent member
- (c) A Board member
- (d) Probity Auditor (as required)
- (e) Chief Executive Officer

2.2 The Board shall determine any variation to the committee's membership, in consultation with the Chair of the Committee.

2.3 Attendees:

- (a) the Manager Finance;
- (b) representative(s) from the NSW Audit Office;

- (c) representative(s) from the RWA's internal auditors as required
- 2.4 Appointments to the Committee will be for a minimum period of no less than two years.
- 2.5 Members' accountabilities – members of the Committee are required to:
 - give a high priority to attending Committee meetings;
 - provide impartial advice to the Board and the Chief Executive Officer;
 - comply with the provisions and accountabilities inherent in the Committee Charter;
 - take all reasonable steps to facilitate the proper functioning of the Committee.

3. FUNCTIONS

- 3.1 The responsibilities of the Committee are those listed in its approved Role Statement (see Section 5).
- 3.2 The Committee can seek any information it requires from any officer of the Authority through the Chief Executive Officer, and can take such independent professional advice as it considers necessary.
- 3.3 The Chief Executive Officer shall keep the Authority's Executive regularly apprised of the findings and recommendations of the Committee.

4. CONDUCT

- 4.1 The Committee shall ensure that it is kept up to date and properly trained with respect to financial reporting, oversight of risk management controls and other business matters critical to the effective performance of its duties.
- 4.2 The Committee will ensure a periodic assessment of its performance at the conclusion of its first year of operation to ensure it continues to be focussed, effective and provides a quality service to the Authority. This self-assessment will address the Committee's key functions, accountabilities and responsibilities.
- 4.3 The Committee shall keep all matters confidential as required

5. ROLE STATEMENT

The Committee will be responsible for the following matters:

5.1 External Audit

- (a) Review the annual Engagement Letter / Client Service Plan / annual service fee presented by the Audit Office.
- (b) Assess the effectiveness and value of work performed under the Client Service Plan.
- (c) Oversee the implementation of audit recommendations.

5.2 Financial Reporting

- (a) Assess the Authority's compliance with Treasurer's Directions, the *Public Finance and Audit Act*, and any other government requirements.
- (b) Monitor the compliance of the Authority's annual financial statements with statutory responsibilities relating to financial disclosure.
- (c) Review the Authority's annual financial reports and recommend them for the Chief Executive Officer's approval.
- (d) Assess the performance of the Authority's financial management in terms of:
 - (i) internal controls, policies and procedures;
 - (ii) adherence to Accounting Standards, Treasury Directions and so on; and
 - (iii) monitoring and reporting of revenue and expenditure relative to approved budgets.

5.3 Internal Audit

- (a) Review and approve the internal audit charter.
- (b) Engage the services of an accredited (ie member of NSW State Contracts Control Board Panel 068/7174) provider of Internal Audit and Risk management service provider.
- (c) Review the appropriateness of the Internal Audit Plan / annual service fee presented by the Internal Auditor.
- (d) Assess the value and effectiveness of work performed.
- (e) Monitor the timely implementation of audit recommendations.

5.4 Risk Management

- (a) Monitor the effectiveness of risk management control systems and procedures.
- (b) To review the risk planning framework of the Authority to ensure its effectiveness and alignment with Australian Standard AS 4360, and provide input into the risk planning process as appropriate.

5.5 Internal Controls

- (a) to review and assess the effectiveness of, or weakness in, the Authority's internal control structure through communication with management and the internal and external auditors in respect of the accounting, internal auditing, reporting and other financial management systems and practices of the authority.
- (b) to review the appropriateness of procedures for ensuring that new systems are developed with adequate controls, and to assess the effectiveness of controls over the new systems which are developed.
- (c) to review the appropriateness of delegations of authority and guidelines for

general operations.

- (d) to review the appropriateness of the Authority's risk management policies and procedures.
- (e) to review the extent to which internal and external auditors' work can be relied upon to detect control weaknesses or fraud.
- (f) to review significant control deficiencies reported by the internal and external auditors and to ensure that management's response and actions to correct any noted deficiencies, are appropriate and adequately implemented on a timely basis.
- (g) to review the effectiveness of controls in relation to unusual transactions or potential transactions that may carry more than a normal degree of risk.

5.6 Legal Compliance

- (a) to review all significant transactions that do not form part of RWA's formal business.
- (b) to consider compliance with any regulatory authority's statutory requirements.
- (c) to review any current and pending litigation or regulatory proceedings to which RWA is a party.

5.7 Compliance with RWA's Code of Conduct

- (a) to discuss and review with management, its philosophy with respect to business ethics and corporate conduct, its written code of conduct and program it has to monitor compliance with that code.
- (b) to review significant cases of employee conflict of interest, misconduct or fraud.

5.8 Other Matters

- (a) Instigate special audits, investigations and operational reviews as deemed necessary. Understand key issues arising from such investigations and be satisfied that matters are properly addressed and reported.
- (b) Monitor implementation of procedures related to the Authority's Fraud Control Plan and Code of Conduct, and recommend or comment on any required amendments in policies and procedures.
- (c) Monitor the Authority's policy on sensitive issues or practices, including reporting of alleged corrupt conduct.

6. MEETING PROTOCOLS

6.1 Meeting Frequency

The Committee will hold ordinary meetings at least quarterly with a minimum of four (4) meetings per year.

The Board and/or the Chair may determine the need for additional meetings as necessary.

The Chief Executive Officer, internal or external audit may request a meeting if they feel that one is required.

6.2 Meeting Notification

Ordinary meeting dates and venues will, where possible, be notified at the conclusion of the previous meeting.

Extraordinary meetings may be called with the Chair's approval, with a minimum of five days notice.

Soft copies of the draft agenda and papers will be circulated to Committee members and observers ideally not less than one week prior to the Committee meeting. Soft copies of all Internal Audit Reports finalised since the last meeting are also to be distributed. The draft agenda will provide an opportunity for attendees (members and observers) to request the inclusion of particular matters.

6.3 Meeting Agenda

The format of the meeting agenda (and draft) is as follows:

- **Opening – Chair**

NB –The Chair may elect to use the opening to welcome any ad-hoc invitees and/or to mention any particular matter which may be of interest to the meeting.

- **Declarations of Interest**

Declarations of any interest Committee members may have in relation to the meeting

- **Acceptance of the Minutes of the Previous Meeting**

Any person who attended the previous meeting may comment on the Minutes in terms of them being a true record of the previous meeting.

- **Business Arising from the Previous Meeting**

This agenda segment provides for follow-up of matters resulting from decisions taken at the previous meeting.

NB – The Chair may have elected to include one or more of these matters as a separate agenda item of business, in which case those items should not be discussed in this segment.

- **Audit Report Responses Outstanding Since Last Meeting**

This segment provides for nomination of outstanding responses to Audit Reports issued prior to the last Committee meeting, and for discussion of any relevant explanation/issue.

NB – Except for extraordinary meetings, responses to Audit Reports outstanding since last meeting and still not received indicates a time lag of at least three months.

- **Audit Reports Issued Since Last Meeting**

This segment provides an opportunity to discuss draft Audit Reports awaiting a management response.

- **Other Notified Items**

This segment provides for the tabling and discussion of any other items which members /observers /invitees requested be added to the draft agenda and which have been accepted by the Chair or the Chief Executive Officer for inclusion as a separate agenda matter.

- **Audit Office Report**

This segment provides for the Audit Office representative to nominate and discuss matters that impact on the Authority's systems of control.

NB – The Audit Office representative should be issued with a draft agenda and/or invited to specify major items that need to be brought to the Committee's attention. In the event that the AO representative nominates specific items at the draft agenda stage, the items nominated would be listed in this segment on the formal agenda.

- **General Business**

This segment provides for members /observers /invitees to bring to the Committee's attention matters that have arisen since the formal agenda was accepted by the Chair or the Chief Executive Officer.

This segment also provides a forum to discuss any matter that members /observers /invitees may wish to raise and which the Chair is prepared to accept. In the event that a matter is not accepted by the Chair, a record should be made in the minutes to this effect, and ideally should include a brief note as to why the matter was not discussed in general business.

- **Closure**

This segment provides for the Chair to nominate the date, time and venue of the next meeting.

6.4 **Quorum**

At all meetings, a quorum shall be the Chair and any two members of the Committee.

6.5 **Executive Officer**

The Executive Assistant to the Chief Executive Officer is the Executive Officer of the Committee and is not a member of the Committee.

6.6 Meeting Procedures

Meeting procedures are relatively informal but should fall within commonly accepted meeting protocols in terms of dealing with business by way of a proposal (or motion) followed by a discussion of the proposal, followed by a decision in terms of the proposal. These procedures are not intended to restrict procedural variations that may facilitate an efficient and effective outcome. For example, a matter might be generally discussed before a motion or proposal for action is made.

The meeting procedures adopted must result in unambiguous determinations for the disposal of proposals made or matters discussed.

6.7 Conflicts of Interest

The Authority's administrative structure, in common with some other government agencies, precludes the establishment of an Audit and Risk Management Committee whose membership is totally free from operational accountability. Therefore, to enhance the Committee's ability to provide impartial advice to the Board and Chief Executive Officer, it is imperative that members declare any conflicts of interest that may arise when the Committee considers issues for which they hold an operational accountability.

Committee members are responsible for informing the Committee of any conflicts of interest which may impact on their ability to make an impartial contribution to Committee activities and decisions.

Notification by a member of the Committee of an actual or potential conflict of interest will facilitate the Committee's ability to make decisions free from partiality.

Once notified to the Committee, authority to manage or resolve conflicts of interest will rest with the Chair.

6.8 Meeting Minutes

Minutes will be kept of all Committee meetings and must include details of decisions taken. Minutes will be approved by the Chair and circulated to all members within the ten (10) working days of the meeting.

6.9 Review

These Terms of Reference for the Committee will be reviewed on an annual basis.