



# AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

**Effective Date**

**March 2020**

**This policy or procedure applies to:**

All permanent employees and volunteers of Guide Dogs Victoria

## **1. General**

The Audit and Risk Management Committee (the Committee) is a standing sub-committee of the Board of the Guide Dogs Victoria (the Board). The Committee has been established to assist the Board fulfil its oversight responsibilities by monitoring and advising on Guide Dogs Victoria's activities associated with its:

- Plans and Budgeting, Policies and Processes, and Management Reports to the Board;
- Risk Management, Audit Activities and External Reports; and
- Investments.

The Committee is responsible for reporting to the Board on all relevant matters relating to this Charter to enable the Board to take any necessary decisions and/or actions. The Committee may also be required to provide advice to the Board on specific matters that the Board has referred to it for consideration and advice.

## **2. Composition**

The Committee will consist of up to 4 members, the majority of which will be members of the Board. The Board will appoint the Committee members and the Committee Chair. The Chair of the Board will not be the Committee Chair. Members of management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), will not be Committee members, but will be required to attend Committee meetings.

### **3. Meetings**

- Committee members are expected to attend each meeting in person or through teleconference.
- The Committee will meet at least 4 times a year, and has authority to convene additional meetings, as circumstances require.
- There is a standing invitation for other Directors to attend the Committee meetings.
- A quorum of any meeting is 2 members.
- The Committee will invite members of management, auditors, and any other persons deemed appropriate to attend meetings and provide pertinent information.
- The Committee Chair may devote time in any agenda for the purpose of confidential open discussion with members of the Committee.
- The CEO and CFO shall attend by standing invitation and the CFO will fulfil the role of secretary.
- Meeting agendas will be prepared and provided 1 week in advance to members along with appropriate briefing materials.
- Minutes will be distributed to members within 1 week after the meeting.
- At a subsequent meeting, the minutes should be checked and endorsed by the Committee, and signed by the Chair as an accurate record of the meeting.

### **4. Reporting Requirements**

The minutes of the Committee meetings are to be included in the agenda of the next available Board meeting, and the Committee Chair will brief the Board on all significant matters discussed at the Committee meetings.

### **5. Evaluating Performance**

The Committee will:

- Evaluate its performance on an annual basis
- Obtain feedback from the Board on the Committee's effectiveness; and
- Review the Audit and Risk Management Charter annually and discuss any required changes with the Board and ensure that the Charter is approved or re-approved by the Board.



## 6. Authority

In discharging its responsibilities under this Charter, the Committee has authority to:

- Seek through the CEO and/or CFO any information it requires from any staff member – all of whom are directed to co-operate with the Committee's reasonable requests.
- Obtain external legal, financial or other professional advice it considers appropriate or necessary in order for it to properly carry out its functions subject to obtaining the prior approval of the Board or the chair of the Board.

The Committee has authority to conduct or authorise investigations into any matters within its scope of responsibilities under this Charter. It is empowered to:

- Appoint (subject to obtaining prior approval of the Board), compensate, and oversee the work of any auditor engaged by Guide Dogs Victoria. Further, it is empowered to oversee the work of any auditor engaged by external parties.
- Resolve any disagreements between management and the auditors.
- Review the findings of the work undertaken by any auditor and ensure that management satisfactorily addresses any shortcomings identified.
- Pre-approve all auditing and non-audit services undertaken by any auditor engaged by Guide Dogs Victoria.

## 7. Responsibilities

### **Plans and Budgeting, Policies and Processes, and Management Reporting to the Board**

#### **Annual Plan and Resource Plan, and Operating and Capital Budgets**

- Review underlying budget assumptions upon which the annual budgets will be prepared and provide related recommendations to the Board.
- Review the annual plan, resource plan and operating and capital budget as presented by management (also ensure that they are linked to the Strategic Plan) and provide a recommendation to the Board on their integrity.

### **Management Reports to the Board**

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Review the adequacy and integrity of management reporting to the Board – ensuring that the reports are concise, accurate, timely and current, and focus on implementing strategies and monitoring performance against the various plans and budgets (highlighting variances and the reasons for the variances); and highlight problem areas and actions being undertaken or planned, supported by the various options considered (supported by cost/benefit analysis), to address the problems being encountered.

### **Policies and Processes**

- Ensure that management has identified the business requirements and associated good practice to assist in ensuring that the Guide Dogs Victoria operate in an efficient and effective manner – and has also identified any resulting process/policy gaps.
- Monitor action by management to rectify process/policy gaps in accordance with established timeframes.

### **System of Internal Control**

- Review the effectiveness of the overall internal control system (including information technology security and control, and those systems and controls that protect Guide Dogs Victoria from misappropriation and other fraudulent practices).
- Understand the scope of quality or internal and external auditors' review of internal controls, and obtain reports on significant findings and recommendations, together with management's responses
- Review delegations and ensure that they are approved by the Board
- Review the annual management representation to the Board on the effectiveness of the internal control framework.



## **Compliance with relevant laws, standards and codes**

- Review the effectiveness of the system for monitoring compliance with laws, standards and codes of conduct, and the results of management's investigations and follow up (including disciplinary action) of any instances of non-compliance.
- Understand the scope of internal and external auditors' review of compliance, and review the findings of any such examinations, and any observations.
- Obtain regular updates from management about compliance matters.

## **Risk Management, Audit Activities and External Reporting**

### **Risk Management**

- Review Guide Dogs Victoria's risk profile to ensure that high and significant business risks are dealt with appropriately.
- Ensure that there is regular review and update of Guide Dogs Victoria's risk profile, and management strategies and actions to manage the identified risks.
- Ensure that new significant strategic, operational and financial risks have been dealt with in a timely manner to mitigate exposure to Guide Dogs Victoria.
- Ensure that management reports highlight high and significant business risks which have not been adequately addressed and outline proposed management actions/timeframes to rectify the deficiencies.
- Monitor action by management to rectify deficiencies relating to high and significant business risks.

### **External Reports**

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent professional and regulatory pronouncements, and understand their effect on the annual financial report.
- Review with management and the external auditors the results of the audit, including any difficulties encountered, including those that impact on the annual financial report (including unadjusted differences).
- Review the integrity and quality of the annual financial report – consider whether they have been prepared in accordance with Accounting Standards issued by the



Australian Accounting Standards Board, and whether they are complete and consistent with information known to Committee members.

- Review material annual submissions (acquittals) to the various funding agencies.

## **Audit Activities**

### *Quality or Internal Audit (if in place)*

- Review and approve the audit plan and any major changes to the plan – ensuring that it is linked with and covers the material business risks and key internal controls.
- Review the significant audit findings and ensure management adequately addresses the shortcomings identified.
- Meet privately with the auditor at least once per year.

### *External Audits*

- Review each of the external auditors' proposed audit scope and approach, including co-ordination of audit effort with the quality or internal audit activity and the work undertaken by each of the external auditors.
- Review the findings of the work undertaken by the external auditors and ensure that management satisfactorily addresses the shortcomings identified.
- Meet privately with the external auditor engaged to audit the financial statements at least once per year, and meet privately with the other external auditors when deemed appropriate.
- Review the performance of the external auditor engaged to audit the financial statements on an annual basis.

## **Investments**

### **Investment Policy**

Periodically review, at least annually, the Investment Policy of Guide Dogs Victoria, specifying investment goals, risk tolerance, limits on asset allocations and permissible investments and recommend for Board approval modifications to the Investment Policy as necessary.



## **Investment Activities**

- Oversee the engagement of Investment Advisor(s) who possess the necessary specialised research capabilities, skills, experience and are duly qualified in accordance with State Laws and Regulations in order to meet the investment objectives and guidelines as set out within the Investment Policy.
- Ensure management communicate clearly and timely the duties and responsibilities of Investment Advisor(s) by setting an appropriate set of goals and objectives
- Overview Investment Advisor(s) adhere to any policies adopted by the Board
- Ensure management updates the reserve strategy based on current investment returns, revenue and spending projections, and risk assessment. Ensure management periodically reviews, at least quarterly, the adequacy of the investment portfolio as it relates to the reserve strategy.

## **Monitor**

- Monitor and evaluate investment results for each Investment Advisor(s) with respect to performance objectives and ensure appropriate action is taken by management to discharge an Investment Advisor(s) for failing to perform as expected, subject to the approval of the Board.
- Review regularly with Investment Advisor(s) the portfolio's tactical asset allocation ranges. Ensure management in consultation with Investment Advisor(s), change the tactical asset allocation ranges if required to comply with the Investment Policy and the objectives set out by the Board.

## **Communication and Reporting**

Management with input from the Investment Advisor(s) shall report on a regular basis to the Committee and ultimately to the Board in relation to the following:

- Review of the past, present and prospective economic climate in relation to investment strategies;
- Assessment of the investment strategy being used to fulfil the standard objectives
- An outline of the risk levels of the securities and asset allocations represented in the investment portfolio; and



- Qualitative evaluation of the performance of the portfolio including assessment of the Advisors based on reports from management will make recommendations to the Board concerning the investment performance and investment income to ensure the long-term financial health of Guide Dogs Victoria investment strategy and portfolio structure.

### **Conflict of Interest**

All persons responsible for investment decisions or who are involved in the management of Guide Dogs Victoria Investment Portfolio, or who are consulting to, or providing any advice whatsoever to the Committee, shall disclose at the beginning of any discussion or consideration by the Committee, any relationship, material beneficial ownership, or other material interest(s) that the person has or may reasonably be expected to have with respect to any investment issue under consideration. The Committee will oversee to ensure that such persons remove themselves from the decision-making process