

Audit Committee Charter

Regional Investment Corporation

A corporate Commonwealth entity established under section 7 of the *Regional Investment Corporation Act 2018* (Cth)

Last Reviewed and Approved by the Board on: 19 June 2019

Notes: While the Commonwealth of Australia controls the Corporation, it is a corporate Commonwealth entity under the Public Governance, Performance and Accountability Act 2013 (Cth) ("PGPA Act"), and that Act applies to the Corporation. Division 4 of the PGPA Act deals with matters relating to financial reporting and auditing for Commonwealth entities. Division 5 and specifically section 45 of the PGPA Act specifically requires the Corporation to establish an Audit Committee.

The Board of the Regional Investment Corporation (“the Board”) has established an Audit Committee in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and PGPA Rule section 17 - Audit committee for Commonwealth entities.

Purpose

The committee is established to assist the Board discharge its responsibilities under the *Regional Investment Corporation Act 2018* and the *Public Governance, Performance and Accountability Act 2013* in respect of financial reporting, performance reporting, risk oversight and management, internal control and compliance with relevant laws and policies.

The committee is not responsible for the executive management of these functions. The committee will engage with management in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Board and the Chief Executive Officer (“CEO”).

Authority

The Board authorises the committee, within its responsibilities, to:

- ▶ obtain any information it requires from any official or external party (subject to any legal obligation to protect information);
- ▶ discuss any matters with the ANAO, or other external parties (subject to confidentiality considerations);
- ▶ request the attendance of any official, including members of the Board, at committee meetings; and
- ▶ obtain legal or other professional advice at the entity’s expense, as considered necessary to meet its responsibilities.

Membership

The Audit Committee will consist of at least three members, appointed by the Board, who are not employees of the Regional Investment Corporation.

The Board will appoint the Chair of the committee who shall not be a Board Member, the CEO, or the Chief Financial Officer (CFO) of the Regional Investment Corporation.

The committee is authorised to appoint a Deputy Chair who will act as chair in the absence of the Chair.

The Board, CEO or other senior management may attend committee meetings with agreement of the Chair, and when they elect to do so, will require copies of committee papers.

The CEO, CFO or other management representatives may attend meetings as observers, as determined by the Chair, but will not be members of the committee.

A representative of the ANAO will be invited to attend meetings of the committee, as an observer.

Membership of the committee will be reviewed periodically (but at least every three years) by the Board with the aim of ensuring an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience.

The committee will adopt and maintain a program of induction, training and awareness-raising for its members, with the objective of enabling the committee to keep abreast of contemporary developments and leading practices in relation to its functions.

Functions

For each Audit Committee function a number of potential specific responsibilities are listed for consideration by the Board.

The extent of responsibilities to be undertaken by the Audit Committee in respect of its functions is a matter for decision by the Board. In settling the Audit Committee charter, it is expected that the views of the Audit Committee would be sought. The extent of detail to be included in the committee's charter, or contained in a supporting work program is also a matter to be settled by the Board in consultation with the Audit Committee. The charter should, nevertheless, contain sufficient detail to ensure that the committee and other stakeholders are clear about the committee's functions and responsibilities.

Financial reporting

- ▶ Review the financial statements and provide advice to the Board (including recommending their signing by the Board). In particular, the committee will review:
 - a) The Regional Investment Corporation's compliance with accounting standards
 - b) the appropriateness of accounting policies and disclosures, including any significant changes to accounting policies
 - c) areas of significant judgement and financial statement balances that require estimation
 - d) significant or unusual transactions
 - e) sign-off by the Board in relation to the quality of the financial statements, internal controls and compliance
 - f) the auditor's judgments about the adequacy of the Regional Investment Corporation's accounting policies and the quality of the Regional Investment Corporation's processes for the preparation of the Regional Investment Corporation's financial statements, through discussions with the ANAO, and
 - g) whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures.
- ▶ Act as a forum for communication between the Regional Investment Corporation's management and the ANAO.
- ▶ Review the processes in place designed to ensure that financial information included in the Regional Investment Corporation's annual report is consistent with the signed financial statements.
- ▶ Review the Regional Investment Corporation's relationship with the Department of Agriculture and Water Resources with regards to appropriations of loan funds and operating expenses.

Performance reporting

- ▶ Review the entity's systems and procedures for assessing and reporting the achievement of the entity's performance. In particular, the committee will satisfy itself that:
 - the entity's Portfolio Budget Statements and corporate plan include details of how the entity's performance will be measured and assessed
 - the entity's approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and Corporate Plan is sound, and has taken into account guidance issued by the Department of Finance
 - the entity has sound processes in place for the preparation of its annual Performance Statement and the inclusion of the Statement in its annual report, and
 - the entity's proposed Performance Statement is not inconsistent with the entity's financial information, including its financial statements, that it proposes to include in its annual report.
 - The entity's key performance indicators with regards to loan management are reliable, timely and appropriate, and report any concerns to the Board.

Systems of risk oversight and management

- ▶ Review whether management has in place a current and sound enterprise risk management framework and associated internal controls for effective identification and management of the entity's business and financial risks, including fraud.
- ▶ Satisfy itself that a sound approach has been followed in managing the entity's highest risks including those associated with individual projects, program implementation, delivery of loan funds and activities.
- ▶ Review the process of developing and implementing the entity's fraud control arrangements and satisfy itself that the entity has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks.
- ▶ Review reports on fraud from management that outline any significant or systemic allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in the entity.
- ▶ As appropriate, review the entity-wide assurance map that identifies the entity's key assurance arrangements, and provide recommendations to the Board.

System of internal control

Internal control framework

- ▶ Review management's approach to maintaining an effective internal control framework; this framework should include controls in relation to functions performed by external parties such as contractors and advisers.
- ▶ Review whether management has in place relevant policies and procedures, including Accountable Authority Instructions or their equivalent, and that these are periodically reviewed and updated.
- ▶ Satisfy itself that appropriate processes are in place to assess whether key policies and procedures are complied with.
- ▶ Satisfy itself that management periodically assesses the adequacy of the Regional Investment Corporation's information security arrangements, including complying with entity reporting obligations.

Legislative and policy compliance

- ▶ Review the effectiveness of systems for monitoring the Regional Investment Corporation's compliance with laws, regulations and associated government policies with which the Regional Investment Corporation must comply.
- ▶ Review, where relevant, the Regional Investment Corporation's compliance with International Conventions, particularly the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.
- ▶ Determine whether management has appropriately considered legal and compliance risks as part of the entity's enterprise risk management plan.
- ▶ Provide advice to the Board on the issue of the Regional Investment Corporation's annual Compliance Report.
- ▶ Review the Regional Investment Corporation's compliance with the Operating Mandate.

Internal audit coverage

- ▶ Review the proposed internal audit coverage, ensure the coverage takes into account the Regional Investment Corporation's key risks, and approve the Internal Audit Work Plan and internal audit budget.
- ▶ Review all audit reports and provide advice to the Board on significant issues identified in audit reports and recommend action on significant issues raised, including identification and dissemination of good practice.
- ▶ Obtain an annual report from the Head of Internal Audit, or the outsourced internal audit service provider, on the overall state of the Regional Investment Corporation's internal controls.

Business continuity management

- ▶ Satisfy itself that a sound approach has been followed in establishing the Regional Investment Corporation's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

In addition to the four mandatory functions referred to above, the Board may decide the entity's Audit Committee should undertake some or all of the following responsibilities.

Other functions

Administration of the internal audit function

- ▶ Advise the Board on the adequacy of internal audit resources, or budget, to carry out its responsibilities, including completion of the approved Internal Audit Work Plan.
- ▶ Coordinate, to the extent possible, the work programs of internal audit and other assurance or review functions.
- ▶ Monitor management's implementation of internal audit recommendations.
- ▶ Periodically review the Internal Audit Charter to ensure appropriate authority, access and reporting arrangements are in place.
- ▶ Obtain an annual report from the Head of Internal Audit or the internal audit service provider on the overall state of the Regional Investment Corporation's internal controls.
- ▶ Periodically review the performance of internal audit, and report the results to the Board.
- ▶ In consultation with entity management, approve the appointment of the Head of Internal Audit (in the case of an in-house internal audit function) or the appointment of the internal audit service provider where the internal audit function is outsourced or co-sourced.
- ▶ Periodically meet privately with the internal audit service provider. Head of Internal Audit.

Other

- ▶ Undertake other activities related to its responsibilities as requested by the Board.

Engagement with the ANAO

The committee will engage with the ANAO, as the entity's external auditor, in relation to the ANAO's financial statement and performance audit coverage. In particular, the committee will:

- ▶ provide input on planned ANAO financial statement and performance audit coverage
- ▶ monitor management's responses to all ANAO financial statement management letters and performance audit reports, including the implementation of audit recommendations
- ▶ provide advice to the Board and CEO on action to be taken on significant issues raised in relevant ANAO reports or better practice guides
- ▶ meet privately with the ANAO at least once per year.

Authority of the committee

All decisions of the committee shall be referred to the Board for approval, including:

- ▶ the Internal Audit Charter, Internal Audit Plan and internal audit budget
- ▶ the appointment, replacement or dismissal of the internal audit service provider
- ▶ its assessment of the Regional Investment Corporation's Risk Management Framework, and
- ▶ an entity-wide assurance map
- ▶ financial accounts
- ▶ Annual Performance Statement

Reporting

The committee will regularly update the Board on its activities and make recommendations to the Board, as appropriate.

The Chair of the committee will report to the Board at the next Board meeting following a meeting of the committee on any matters that the committee considers should be brought to the attention of the Board.

The committee will at least once annually confirm to the Board that all functions/responsibilities outlined in this charter have been carried out, and comply with any other reporting requirements specified by the Board from time to time.

Administrative arrangements

Meetings

The committee will meet at least three times per year. One or more special meetings may be held to review the Regional Investment Corporation's annual financial statements and performance statement, or to meet other responsibilities of the committee.

All committee members are expected to attend each meeting, in person or via tele-or-video conference.

The Chair is required to call a meeting if asked to do so by the Board, and decide if a meeting is required if requested by another member, internal audit or the ANAO.

Each meeting shall have an "in-camera" session.

Planning

The committee will develop a forward meeting schedule that includes the dates, location, and proposed agenda items for each meeting for the forthcoming year, and that covers all the responsibilities outlined in this charter.

Quorum

A quorum will consist of a majority of committee members. The quorum must be in attendance at all times during the meeting.

Secretariat

The secretariat will undertake the following tasks:

- ensure the agenda for each meeting is approved by the Chair;

- ensure the agenda and supporting papers are circulated, at least one week before the meeting;
- ensure the minutes of the meetings are prepared and maintained.
- ensure minutes are reviewed by the Chair and circulated within two weeks of the meeting to each member and committee observers.

Conflicts of interest

Once each year, members of the committee will provide written declarations, through the Chair, to the Board declaring any material personal interests they may have in relation to their responsibilities. External members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Board, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each committee meeting, members are required to declare any material personal interests that may apply to specific matters on the meeting agenda. Where required by the Chair, the member will be excused from the meeting or from the committee's consideration of the relevant agenda item(s). The Chair is also responsible for deciding if he/she should excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s). Details of material personal interests declared by the Chair and other members, and actions taken, will be appropriately recorded in the minutes.

Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities.

Assessment arrangements

The Chair of the committee, will initiate a self-assessment of the performance of the committee at least once every two years. The review will involve input from the Board, each committee member, senior management, internal audit, the ANAO, and any other relevant stakeholders, as determined by the committee.

Review of charter

At least once a year the committee will review this charter. This review will include consultation with the Board.

Any substantive changes to the charter will be recommended by the committee and formally approved by the Board.

Approved



19 June 2019