

Audit and Risk 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: 1 March 2023

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.

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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 to 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

Minutes of the committee shall be advised to the Board and matters for approval of the Board shall include:

- ▶ the Audit Committee Charter
- ▶ internal audit budget
- ▶ assessment of the RIC’s Risk Management Framework
- ▶ Statutory Financial Statements
- ▶ Annual Performance Statement
- ▶ Annual calendar of Audit and Risk Committee activity

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); and
- ▶ request the attendance of any official, including members of the Board, at committee meetings
- ▶ obtain legal or other professional advice at the RIC’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 Chair of the Committee shall be a Board Member and appointed by the Board.

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 relevant copies of committee papers.

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

Internal Audit will attend agenda items relating to internal control and audit and otherwise, only by authority of the Chair.

Membership of the committee will be reviewed periodically (but at least every three years) by the Board with the aim of ensuring a suitable mix of qualifications, knowledge, skills and experience.

Functions

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 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) general quality of the financial statements, internal controls and compliance
 - f) the auditor's judgments about the adequacy of accounting policies and the quality of processes for the preparation of the statutory 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.

Performance reporting

- ▶ Review the systems and procedures for assessing and reporting the achievement of the RIC's performance. In particular, the committee will satisfy itself that:
 - The Portfolio Budget Statements and Corporate Plan include details of how performance will be measured, assessed and monitored throughout the year
 - there are sound processes in place for the preparation, including reconciliation with financial records of its annual Performance Statement and the inclusion of the Statement in its Annual Report, and
 - Provide advice to the Board on the appropriateness of the Annual Performance Statements

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

business and financial risks, including fraud and corruption.

- ▶ Ensure that a sound approach has been followed in managing the highest risks including matters referred to it by the Board.
- ▶ Review the process of developing and implementing fraud control arrangements and ensure appropriate processes and systems are in place to detect, capture and effectively respond to fraud risks.
- ▶ Review reports on fraud and corruption from management that outline any significant or systemic allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk.

Systems of internal control

Internal control framework

- ▶ Review management's approach to maintaining an effective internal control framework.
- ▶ 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 information security arrangements, including complying with entity reporting obligations.

Legislative and policy compliance

- ▶ Review the effectiveness of systems for monitoring compliance with laws, regulations and associated government policies
- ▶ Review the RIC's compliance with the Operating Mandate.

Internal audit coverage

- ▶ Review the proposed internal audit coverage and provide recommendations on the Internal Audit Work Plan and internal audit budget for the Board's consideration.
- ▶ 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.
- ▶ In consultation with 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 or the Head of Internal Audit.
- ▶ 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.
- ▶ Monitor management's implementation of internal audit recommendations.

- ▶ Periodically review the performance of internal audit.

Business continuity management

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

Engagement with the ANAO

The committee will engage with the ANAO, as the 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

Reporting

The draft minutes will be submitted to the next Board meeting and the Chair of the committee will present to the Board on any further matters.

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.

Meetings may be held 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.

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.

Secretariat

The Committee will be supported by the Corporation Secretary. The secretariat will undertake the following tasks:

- 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

Members of the committee will provide written declarations declaring any material personal interests they may have in relation to their responsibilities.

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 (or in the case of the Chair's personal interest, by the majority of other Committee Members), the member will be excused from the meeting or from the committee's consideration of the relevant agenda item(s). Details of material personal interests 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 charter will be reviewed and include consultation with the Board.

Any changes to the charter will be approved by the Board.