



AUDIT & RISK COMMITTEE CHARTER

Role and Responsibilities

The Board of The Institute of Internal Auditors – Australia (IIA-Australia) has established a Board Audit & Risk Committee as part of its responsibilities in relation to the corporate governance of IIA-Australia. The Board Audit & Risk Committee is not a policy making body but assists the Board by implementing Board policy.

The Committee is to identify and oversight the management of risks which relate to its role. Where management of risks is to a level that is not consistent with the IIA-Australia's risk appetite, they should be escalated to the Board or Management, in line with the Risk Management Framework.

The objectives of the Committee include:

- assisting the Board of Directors in the governance of the IIA-Australia, and the exercising of due care, diligence and skill in relation to:
 - reporting of financial information to users of financial reports;
 - application of accounting policies;
 - financial management;
 - the internal control system;
 - the risk management system;
 - the performance management system;
 - business policies and practices;
 - protection of the assets of the IIA-Australia; and
 - compliance with applicable laws and regulations;
- improving the credibility and objectivity of the accountability process, including financial reporting;
- overseeing the effectiveness of the internal and external audit functions and being a forum for communication between the Board of Directors and the internal and external auditors;
- ensuring the independence of the external auditor;
- providing a structured reporting line for internal audit and monitoring the objectivity and independence of the internal auditor;
- assuring the quality of internal and external reporting of financial and non-financial information;
- assuring the correlation between related financial and non-financial information and reports;
- assuring an ethical framework has been embedded throughout IIA-Australia;
- assessing the effectiveness of the culture of IIA-Australia; and
- overseeing the risk profile and recommending the risk management framework of the IIA-Australia to the Board¹.

¹ Supported by the following documentation:

Responsibilities are detailed in the attached Appendix.

Committee Membership

The Audit & Risk Committee is a committee of the **Board**.

Committee membership will be comprised of board members (two) and appropriately qualified external member/s. An external member may be a former member of the Board.

The Chair of the Board may not be a member of the Audit & Risk Committee.

At least one member of the Audit & Risk Committee will be a qualified accountant holding a current accounting certification (eg CPA or CA).

Each Committee member must be financially literate.

The Committee will comprise of three to five members.

The Chair of the Audit & Risk Committee is appointed by the Chairman of the Board.

All appointments to the Committee including external members and the appointment of the Chair shall be approved by the Board.

Members will be appointed to the Audit & Risk Committee for three years, and can be reappointed.

Membership of the Audit & Risk Committee is to be confirmed annually by the Board in alignment with the AGM.

Terms of appointment to the Audit & Risk Committee are to provide for both continuity of membership and fresh perspective.

Other persons may attend meetings of the Audit & Risk Committee, by invitation. Persons who may usually be invited are:

- Chief Executive Officer;
- Finance Manager;
- Internal Audit provider²; and
- External audit provider.

These persons may take part in the business of and discussions at the meeting but have no voting rights.

Committee Meetings

The Committee will hold meetings at least three times each year and additionally as it considers necessary at appropriate points in the audit cycles. The internal or external auditors may request a meeting if they consider that one is necessary. Such a request is to be met at the discretion of the Chair.

A quorum will be a majority of members.

In the Chair's absence from a meeting, the members of the Committee present at the meeting will select a Chair for that particular meeting.

Meetings of the Committee may be held face-to-face or through any technological means by which members can participate in a discussion.

The notice and agenda of meeting will include relevant supporting papers as appropriate.

IIA-Australia's Risk Management Policy; Risk Management Framework; Risk Appetite Statement; Business Continuity Plan; Business Impact Analysis; Fraud Control Policy

² See Page 9 of this document, **Internal Audit**

The Committee may invite any such other persons to attend as it sees fit, and consult with other persons or seek any information it considers necessary to fulfil its responsibilities. The Audit & Risk Committee members may meet separately with the external audit provider and/or chief audit executive to discuss issues of mutual interest.

Conflict of Interest

Committee members will be invited to disclose conflicts of interest at the commencement of each meeting. Ongoing conflicts of interest need not be declared at each meeting once acknowledged.

Where members or invitees at Audit & Risk Committee meetings are deemed to have a real or perceived conflict of interest, they will be excused from Committee discussions and deliberations on the issue where a conflict of interest exists.

The Professional Responsibility & Ethics Committee may review and provide advice in regard to conflict of interest statements by Committee members.

Authority

The **Board** authorises the Audit & Risk Committee, through the Chair, to:

- seek any information it requires from:
 - any employee. All employees of the IIA-Australia are directed to co-operate with any request made by the Audit & Risk Committee, and
 - external parties;
- obtain outside legal or other independent professional advice with the agreement of the Executive Committee.

Secretariat Duties

The Company Secretary will fulfil the role of Secretary to the Audit & Risk Committee. The Secretary will assist the Chair develop and distribute committee agendas, papers, minutes, and calendar.

The Secretary will ensure the agenda and supporting papers for each meeting are circulated at least one week before the meeting. Minutes must be approved by the Chair and circulated within two weeks of the meeting to each member.

The minutes will be ratified by members in attendance/discussion at the next Committee meeting.

The Committee Chair is to report to the **Board** following each meeting of the Committee. The manner of reporting may be by distribution of a copy of the minutes of the meeting supplemented by other written information if necessary, including any recommendations requiring Board action and/or approval.

The Committee Chair is to provide or facilitate the supply of information regarding the Audit & Risk Committee which is to be included in the IIA-Australia Annual Report.

Voting

Any matters requiring a decision will be decided by a majority of votes of members present.

Audit & Risk Committee Performance and Review

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Approved 2005; Amended November 2009; Amended May 2011; Amended November 2011; Amended May 2013; Amended May 2014; Amended October 2014; Amended May 2015; reviewed May 2016; Amended May 2017; Amended May 2018; Amended May 2019; Amended June 2020; Amended June 2021; Amended December 2021

The Audit & Risk Committee will review its performance on an annual basis. This review may be conducted as a self-assessment, and will be coordinated by the Chair. The assessment may seek input from the Board, Chief Executive Officer, and Chief Audit Executive and External Audit provider. Training needs will be monitored by the Chair.

The Committee will provide an Annual Report covering the previous year, including the results of the review of performance, to the Board.

Charter Review

The Committee should review their charter annually to provide assurance that it remains consistent with the **Board's** objectives and responsibilities.

The **Board** approves or further reviews the charter.

RESPONSIBILITIES OF THE AUDIT & RISK COMMITTEE

External Reporting

- Consider the appropriateness of the accounting policies and principles adopted and any amendments thereto, as well as the methods of applying those policies/principles, ensuring that they are in accordance with the stated financial reporting framework;
- Assess significant estimates and judgements in financial reports by enquiring of management about the process used in making material estimates and judgements and then enquire of the internal and external auditors the basis for their conclusions on the reasonableness of management's estimates;
- Assess management explanations for unusual transactions or significant variances from prior year results or current year budget;
- Review management's processes for ensuring and monitoring compliance with laws, regulations and other requirements (including Australian Accounting Standards and the Corporations Act 2001) relating to the external reporting by the IIA-Australia of financial and non-financial information;
- Assess information from internal and external auditors that affects the quality of financial reports (eg. actual and potential material audit adjustments, financial report disclosures, non-compliance with the laws and regulations, internal control issues);
- Ask the external auditor for an independent judgement about the appropriateness, not just the acceptability, of the accounting principles used and the clarity of the financial disclosure practices used or proposed to be used by the IIA-Australia as put forward by management;
- Assess the management of non-financial information in documents (both public and internal) to ensure the information does not conflict with the financial statements or other documents.
- Assess internal control systems covering information releases that have the potential to adversely reflect on the conduct of the IIA-Australia; and
- Recommend to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.

Related-Party Transactions

- Review and monitor the propriety of related-party transactions.

Corporate Governance

- Assist the **Board** to ensure appropriate corporate governance is in place.
- Assist the Board by reviewing the reasonableness of the draft budget.

Internal Control and Risk Management

- Assess the internal processes for determining and managing key risk areas, particularly:
 - compliance with relevant laws, regulations, standards;
 - important judgements and accounting estimates;
 - litigation and claims;
 - fraud and theft; and
 - relevant business risks other than those that are dealt with by other specific Board Committees;
- Based on the risk assessment undertaken ensure that the IIA-Australia has an effective risk management system and that significant or material risks identified by the Board are reported back at least annually to the Board;
 - recommend the risk profile and risk appetite of the IIA-Australia, for approval by the Board;
 - receive and review reports from management concerning the IIA-Australia's risk management strategies;
 - recommend and oversee the process developed by management to identify principal risks, evaluating their potential impact, and implementing appropriate strategies to manage those risks;
 - recommend principles, strategies, policies and processes for managing risk;
 - receive and review reports from management regarding resolution of significant risk exposures and risk events;
 - review and monitor the risk implications of new and emerging risks, organisational change, regulatory change and major initiatives;
 - provide a formal forum for communication between the Board and senior management;
- Obtain and assess management reports on any suspected or actual fraud, theft or breaches of laws, and recommend appropriate actions by the Board;
- Address the effectiveness of the internal control, risk management and performance management systems with management and the internal and external audit providers;
- Evaluate the process the IIA-Australia has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk;
- Assess whether management has controls in place for unusual types of transactions and/or any potential transactions that may involve an unacceptable degree of risk;
- Understand the processes management has implemented for managing insurable risks and, if applicable, self-insurance, including assessing the adequacy of insurance cover;

- Assess the effectiveness of and compliance with the corporate code of ethical conduct;
- Meet periodically with key management, internal and external auditors and compliance staff to understand and discuss the control environment;
- Review the adequacy of periodical internal financial reports;
- Review compliance with internal policies, plans and procedures; and
- Review the delegations of the Board and IIA-Australia staff members.

External Audit

- Make recommendations to the Board on the appointment, remuneration and monitoring of the effectiveness and independence of the external audit provider;
- Review the external audit provider's fee and be satisfied that an effective, comprehensive and complete audit can be conducted for the set fee;
- At the start of each audit, agree the terms of the engagement with the external audit provider. Review the external audit provider's annual engagement letter;
- Invite the external audit provider to attend Audit & Risk Committee meetings to review the audit plan, discuss audit results, consider the implications of the external audit findings and otherwise discuss management and the control environment issues;
- Together with the external audit provider, review the scope of the external audit (particularly the identified risk areas) and any additional agreed-upon procedures on a regular and timely basis;
- Enquire of the external audit provider if there have been any significant disagreements with management irrespective of whether or not they have been resolved;
- Monitor and critique management's responsiveness to the external audit provider's findings and recommendations;
- Review all representation letters signed by management and ensure that the information provided is complete and appropriate;
- Provide the opportunity for the Audit & Risk Committee members to meet with the external audit providers without management personnel being present at least once a year;
- Review the external audit providers' independence based on the external auditor's relationships and services with the IIA-Australia and other organisations that may impair or appear to impair the external audit provider's independence; and
- Advise the Board on the rotation of the external audit provider at intervals of approximately each five years or otherwise as the need may arise.

Internal Audit

- Make recommendations to the Board on the appointment, remuneration, removal and monitoring of the effectiveness and independence of internal audit³;
- Be satisfied that sufficient funds are available to enable an effective, comprehensive and complete audit to be conducted for the areas identified for internal audit review;
- Communicate the Audit & Risk Committee's expectations to the internal auditor;
- Ensure the Chief Audit Executive reports directly to the Audit & Risk Committee;
- Review the internal auditor's mission, charter and resourcing (including qualifications, skills, experience, funding and equipment);
- Review and approve the scope of the internal audit plan and work program;
- Monitor the progress of the internal audit plan and work program and consider the implications of internal audit findings for the control environment;
- Monitor and assess management's responsiveness to internal audit findings and recommendations;
- Evaluate the process the IIA-Australia has in place for monitoring and assessing the effectiveness of the internal auditor;
- Ensure that the internal auditor and the external auditor programs are appropriately coordinated to achieve maximum effectiveness; and avoid duplication; and
- Provide the opportunity for Audit & Risk Committee members to meet with the internal auditor without management personnel being present at least once a year.

Compliance with Standards

All activities and responsibilities of the Committee are to be performed to the standards published by the IIA-Australia⁴ or prescribed by the **Board**; and relevant accounting and auditing standards.

³ A member of the IIA-Australia staff will be nominated as the chief audit executive. The Company Secretary is the nominated member of staff. If a conflict of interest is identified the ARC Chair and CEO will identify an alternate chief audit executive. Internal audit work will be provided by contractors.

⁴ *Audit committees: A guide to good practice*. 3rd edition AICD, AuASB, IIA-Australia, 2017.



Addendum: Example only

ARC PLANNER	Frequency				Timing											
	A	B	E	AN	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	KEY: A = ANNUALLY B = BIANNUALLY E = EVERY MEETING AN = AS NEEDED															
Audit & Risk Committee																
Finalisation of Financial and Annual Reports; ARC review of Management Representation Letters	✓						✓									
Review related-party transactions	✓						✓									
Audit Committee Report (Annual report)	✓						✓									
Internal Audit Plan established	✓													✓		
Monitoring Internal Audit plan of activity			✓				✓					✓		✓		
Review of Internal Audit plan	✓											✓				
Risk Management update-Review Risk Register and Key Risk report			✓				✓					✓		✓		
Insurance update	✓													✓		
Review of intangibles	✓						✓									
Review dollar amounts in Investment, Insurance & Cash Reserves Policy	✓											✓				
Review Internal Audit Charter	✓			✓			✓									
Review ARC Charter	✓			✓			✓									
Review ethical culture	✓													✓		
Review delegated authority policy	✓											✓				
Review complaints handling policy	✓											✓				
Review statement of business ethics	✓											✓				
Review Risk Policy	✓											✓				
Review Contract Management Policy	✓											✓				
Review Support to Representatives on International Committees Policy				✓								✓				
Review Support to Representatives on the Board of ACIIA and Global Assembly				✓								✓				
Review Privacy Breach Reporting Policy	✓											✓				
Self-assessment	✓											✓				
Compliance report			✓				✓					✓		✓		
Input to budget development	✓													✓		
Evaluation of External Auditor	✓													✓		

Evaluation of Internal Auditor	✓																		
In-Camera session with Internal Auditor	✓			✓			✓						✓						
In-Camera session with External Auditor	✓			✓			✓						✓						
CEO report - extract to Board			✓				✓						✓		✓				
BCP 2021																			
RFP insurance renewal 2021																			
GradCertIA registration, IIA-Australia re-accreditation 2022																			
Appoint Insurance Broker 2023																			

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