



AUDIT, RISK AND COMPLIANCE COMMITTEE CHARTER 2013

VERSION 1

(Approved by the Board on 26 June 2013)

1. Introduction

The Macquarie Point Development Corporation Board (Board) has established the Audit, Risk and Compliance Committee (Committee) in compliance with section 12(1)(a) of the *Macquarie Point Development Corporation Act 2012 (Act)*.

This charter sets out the Committee's objectives, authority and confidentiality, composition and tenure, rights, roles and responsibilities, reporting and administrative arrangements.

2. Treasurer's Instructions

By virtue of section 40 of the Act, the Macquarie Point Development Corporation (Corporation) is bound by the Treasurer's Instructions and, as such, the Committee must act in accordance with Treasurer's Instruction No 108 – Internal Audit, a copy of which is provided at [Attachment 1](#).

3. Objectives

The objective of the Committee is to assist the Board to exercise due care, diligence and skill in performing its functions and responsibilities and to provide guidance and make recommendations to the Board on the Corporation's reporting, risk, control and compliance framework, and its external accountabilities.

4. Authority and confidentiality

The Committee was established by the Board by resolution on 9 April 2013.

The Board authorises the Committee, within the scope of its role and responsibilities, to:

- have full, free and unrestricted access to all functions, property, premises, personnel, records, information, accounts, working papers, files and other documentation and information ("materials") including the materials of the internal auditor the Committee considers necessary and to computers, including external servers or cloud storage facilities, on which materials or information are stored, and any software necessary to access such information or materials;

- obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- discuss any matters with the internal or external auditor, or other external parties (subject to confidentiality considerations);
- request the attendance of employees, including directors, at Committee meetings; and
- obtain, subject to consultation with the Chair of the Board and the Chief Executive Officer, external legal or other professional advice as considered necessary to meet its responsibilities, at the Corporation's expense.

All records, documentation and information accessed in the course of undertaking internal audit, risk or compliance activities are to be used solely for the conduct of these activities. Committee members and individual staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

All Board members will have right of access to Committee papers and to the minutes of Committee meetings during the period of their appointment and for a period of up to seven years following the end of their Board appointment.

5. Composition and tenure

The Committee will consist of all Board members with the exception of the Chief Executive Officer. The Board will appoint the Chair of the Committee and members are appointed for the term of their appointment as a director of the Corporation.

The Chair of the Committee cannot be the Chair of the Corporation.

6. Rights, roles and responsibilities

The Committee is directly responsible and accountable to the Board for the exercise of its responsibilities. The rights, roles and responsibilities of the Committee may be revised or expanded as approved or requested by the Board from time to time, other than the right of Board or Committee members to have access to Committee papers and minutes.

In accordance with section 12(3) of the Act, the Committee **must** provide the Board with advice on the following matters:

- the internal audit functions of the Corporation;
- monitoring the Corporation's systems of financial reporting and internal control; and
- the resources necessary for the performance of the internal audit function of the Corporation.

In addition to the advice mandated by the Act, the Committee also has the responsibility for the following matters:

6.1. Risk management

The Committee must:

- ensure the Corporation has in place a current and comprehensive risk management framework and associated policies and procedures for effective identification and management of the Corporation's key financial, operational and business risks;
- identify and monitor the principal risks that may impact the financial performance and reporting of the Corporation;
- prepare and review a risk management framework to guide the Board's decisions regarding the management of the Corporation's finances and financial performance;
- assess the control framework for unusual or higher-risk transactions;
- monitor litigation and any claims;
- evaluate the Corporation's exposure to fraud and theft;
- receive reports from management relating to the Corporation's operations and business relating to any suspected or actual frauds, instances of non-compliance and breaches of law or any litigation or claims made or threatened against the Corporation; and
- review at least annually the Corporation's risk management strategy, including whether an appropriate risk rating has been assigned and mitigation measures have been put in place.

6.2. Control framework

The Committee must:

- review whether management has in place an appropriate and effective internal control framework to adequately mitigate identified risks;
- monitor the integrity of the Corporation's financial management, reporting and recording system;
- ensure there is an appropriate process in place to periodically review key policies and procedures;
- determine whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are being complied with;
- review whether appropriate policies and procedures are in place for the management and exercise of delegations; and
- assess the effectiveness of, and compliance with, those organisational policies and procedures deemed relevant by the Board.

6.3. External accountability

The Committee **must**:

- review and approve all significant accounting policies;
- review the financial statements and the annual reports, and provide advice to the Board (including whether appropriate action has been taken in response to audit recommendations and adjustments) on those reports, and recommend they be approved by the Board;

- satisfy itself that the financial statements are supported by appropriate management sign-off on the statements and on the adequacy of the systems of internal controls;
- ensure the Board's obligations for the preparation and submission of its financial statements to the Auditor-General are met in accordance with the Audit Act 2008;
- advise the Board on matters impacting on the Corporation's performance and compliance with accounting standards.

6.4. Compliance

The Committee **must**:

- recognise that the nature of the Corporation's compliance obligations will vary over time in line with the Corporation's business and operations and that this will require the regular review of the process for monitoring the Corporation's compliance with relevant laws and regulations, including Australian Work Health and Safety legislation;
- assist the Board to discharge its obligation to exercise due care, diligence and skill in relation to complying with applicable laws and regulations, with particular reference to Australian Work Health and Safety legislation;
- review the process for monitoring the Corporation's compliance with government policies, including Treasurer's Instructions and Ministerial directions;
- receive regular updates from management on compliance matters; and
- review financial delegations and recommend changes to the Board for consideration.

6.5. Internal audit

The Committee **must**:

- establish an Internal Audit Charter as required by the Treasurer's Instruction No 108 effective date 1 September 2011 and recommend to the Board and the Chief Executive for approval;
- act as a forum for communication between the Board, senior management and internal audit and, in particular, for all work conducted by internal audit for years commencing on or after 1 July 2013, oversee the process and approve the procedures for the appointment and removal of the internal auditor, approve the engagement terms for the internal auditor and ensure that the terms of appointment require that internal audit provide the following to the Committee:
 - a copy of the internal audit working plan, including internal audit objectives, work schedules, staffing requirements and budget,
 - requirements for external expertise or consulting to undertake scheduled and any one-off internal audit reviews,
 - internal audit reports highlighting findings including their effect on the control environment and recommendations and advice on action taken,
 - details of major variances from internal audit goals, work schedule and budget,
 - advice on coordination of the internal audit plan with the external audit plan,

- activity reports on any conflicts of interest detected within the Corporation, and
- any other information requested by the Committee;
- review the internal audit coverage and approve timing and scope of the **annual** internal audit plan, ensuring the plan is based on the Corporation's risk management framework;
- advise the Board on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan;
- provide advice and direction to the Board on the outcomes of all internal audit processes;
- oversee the coordination of audit programs conducted by internal and external audit and other review functions;
- review all audit reports and provide advice to the Board on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice;
- monitor and critique management's implementation of internal audit recommendations;
- inquire of the internal audit if there have been any significant disagreements with management irrespective of whether or not they have been resolved;
- periodically review the performance of the internal audit;
- recommend to the Board the appointment of the internal auditor; and
- meet at **least annually** with the internal audit independent of management.

6.6. External audit

The Committee **must**:

- act as a forum for communication between the Board, senior management and external audit;
- provide input into and feedback on the financial statements and audit coverage proposed by external audit, and provide feedback on the audit services provided;
- review the timing and all external plans and reports in respect of planned or completed audits and monitor and critique management's implementation of audit recommendations;
- review all representation letters signed by management;
- review with external audit the outcomes of annual audits, ensuring that any reported deficiencies or weaknesses in controls have been identified and that appropriate and timely corrective action is taken by management;
- provide advice to the Board on action taken on significant issues raised in relevant external audit reports and better practice guides;

- monitor the independence and assess the performance of the Corporation's external auditors and the responsiveness of management to external audit's findings and recommendations;
- inquire of the internal audit if there have been any significant disagreements with management irrespective of whether or not they have been resolved; and
- meet **at least annually** with the external auditor independent of management.

7. Reporting

The Committee will **report regularly** to the Board on its operation and activities during the year through the provision of all Committee meeting minutes.

The Committee may, at any time, report to the Board on any other matter it deems of sufficient importance to do so. In addition, an individual Committee member may request a meeting with the Chair of the Board at any time.

8. Administrative arrangements

8.1. Meetings

The Committee will meet on an as-needs basis, but not less than **three times per year**. A special meeting will be held to review the Corporation's annual financial statements.

The Chair is required to call a meeting if asked to do so by the Board, or another Committee member.

8.2. Attendance and quorum

A quorum will consist of a minimum of three Committee members.

Meetings can be held in person, by telephone or by video conference.

Internal auditor and external auditor representatives will be invited to attend meetings on an as-needs basis, determined by the Chair of the Committee.

Unless unanimously agreed otherwise by Committee members, at least **three working days' notice** of meetings shall be given.

The Chief Executive Officer may be invited to attend Committee meetings to participate in specific discussions or provide strategic briefings to the Committee.

The Committee may also request the General Manager Commercial and Business Services or other employees to attend Committee meetings to participate in certain agenda items.

8.3. Minutes

Brief minutes of each meeting will be taken by the Board Secretary or other person appointed by the Committee and circulated as soon as possible after the meeting but in any event prior to the next meeting of the Committee. The minutes, once confirmed, will be included in the Board papers for the next Board meeting.

The Chair shall report formally at the next Board meeting on:

- the Committee's minutes including any formal resolutions on the Committee including any formal resolutions of the Committee, information about the audit process, and the results of internal and external audits, risk management issues and compliance issues;
- any recommendations requiring Board action or approvals, and
- any other matter the Committee believes should be reported to the Board.

8.4. Conflicts of interest

Committee members must declare any conflicts of interest (whether pecuniary or not pecuniary) at the start of each meeting or, where the conflict is not apparent at the commencement of the meeting, before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

Where members or observers at Committee meetings are deemed to have a real or perceived conflict of interest they shall not participate in any decision-making process. It may be appropriate that they are asked to leave the Committee meeting during any Committee deliberations on the issue where a conflict of interest exists.

8.5. Assessment of arrangements

The Chair of the Committee, in consultation with the Chair of the Board, will initiate a review of the performance of the Committee **at least once every two years**. The review will be conducted on a self-assessment basis (unless otherwise determined by the Board) with appropriate input sought from the Board, the Chief Executive Officer, the internal and external auditors, management and other relevant stakeholders, as determined by the Board.

8.6. Review of charter

At least once **every three years**, the Committee will review the charter.

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

Treasurer's Instruction No	108
Title	Internal Audit
Effective date	1 September 2011
Objective and Background	Provides guidance for establishing and maintaining internal audit functions
Last Reviewed Date	31 August 2011

Black letter (or bold) items within these Instructions are mandatory and other plain font items are instructional or for the purpose of providing guidance only.

Background

Internal audit provides an independent and objective review and advisory service to:

- provide assurance to Agency management that financial and operational (internal) controls, designed to manage risks and achieve outcomes, are operating in an efficient, effective and ethical manner; and
- assist Agency management in improving processes and performance.

Internal Audit

- (1) **A Head of Agency will ensure that effective internal audit arrangements are established by the Agency.**
- (2) **The internal auditor is authorised to perform reviews, evaluations, appraisals, assessments and investigations of functions, processes, controls and governance frameworks, in the context of the achievement of the Agency's objectives.**
- (3) **The Head of Agency will ensure that the internal auditor is properly resourced to enable its responsibilities to be met.**

Providing that independence requirements are adhered to, agencies may contract their internal audit function to external providers. However, such an arrangement will not diminish the Head of Agency's responsibility to oversee and manage the internal audit function.

The internal auditor should have the visible and active support of the Head of Agency, Audit Committee and Senior Management.

Regardless of size, agencies are to ensure that they have an appropriately resourced internal audit function including skilled auditors, appropriate technology tools and adequate budgets.

Authority and confidentiality

- (4) Subject to relevant Agency security policies, internal auditors are authorised to have full, free and unrestricted access to all functions, property, premises, personnel, records, information, accounts, files and other documentation and information that the internal auditor considers necessary.**
- (5) All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. Individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.**

Independence of Internal Audit

- (6) Agencies must provide appropriate independence for internal audit functions, establishing an appropriate degree of separation of the function from Agency management.**
- (7) Where an Agency employs an internal auditor, that position must be independent with no other operational or management responsibilities.**

Independence is essential to the effectiveness of the internal audit function. The internal auditor must have no direct authority or responsibility for the activities under review. The internal auditor must have no responsibility for developing or implementing procedures or systems and must not engage in Agency service delivery functions or activities. Additional information on the scope of the internal auditor's work is contained in paragraph 15.

Audit Committee

- (8) Each Agency must have an Audit Committee**

The Head of Agency is assisted by the Audit Committee through its oversight function to:

- review the implementation of the annual Internal Audit Plan and implementation of audit recommendations;
- identify areas worthy of examination by the internal auditor;
- ensure internal controls are operating effectively;
- ensure controls are appropriate for achieving the Agency's objectives;
- ensure appropriate management of the Agency's exposure to fraud risk;
- meet the Agency's statutory and fiduciary duties; and
- provide a forum for discussing problems and issues that may affect the operations of the internal auditor.

The Audit Committee should be constituted to cater for the particular internal and external influences impacting on the Agency. The membership and conduct of the Audit Committee will therefore vary, depending on the Agency's size and other circumstances. Membership of an Audit Committee would be expected to be between three and seven members and may include one or more members from outside the Agency.

It may be necessary to allocate specialist functions to a member of the Audit Committee, whereby that member will take the lead role in ensuring that the responsibilities of the Audit Committee are carried out to a satisfactory level. An example of a specialist function is the appointment of a Fraud Control Officer to manage the Agency's exposure to fraud risk by developing a Fraud Control Plan, which documents the Agency's intended action on implementing and monitoring the Agency's fraud prevention and response initiatives, and is integrated with the Agency's overall risk management plan.

(9) The Audit Committee will have a Charter that establishes its roles and responsibilities and its oversight of the Agency's internal and external audit functions.

(10) The Head of Agency is to approve the Audit Committee Charter.

Key characteristics of an Audit Committee should include:

- A good understanding of the Audit Committee's position in the Agency's governance framework;
- Members with relevant personal qualities, skills and experience, including at least one member with a strong financial and/or audit background; and
- A robust and considered process of assessment and continuous improvement.

A strong relationship between the internal auditor and the Audit Committee enables the Committee to meet its responsibilities and carry out its functions. The Audit Committee establishes the role and direction for the internal auditor, and maximises the benefits from the internal audit activity.

Where the Chair of the Audit Committee considers it to be appropriate, the internal auditor and/or the external auditor may, as independent advisors, be invited to attend Audit Committee meetings for relevant agenda items.

Internal Audit Charter

(11) The Audit Committee must establish an Internal Audit Charter.

(12) The Internal Audit Charter will:

- (a) identify the purpose, authority and responsibility of the internal auditor;
- (b) where relevant, establish the internal auditor's position within the organisational structure;

- (c) define reporting relationships of the internal auditor with the Head of Agency and the Audit Committee;
 - (d) define the internal auditor's relationship with the Auditor-General; and
 - (e) define the scope of the internal auditor's activities, including any restrictions, together with the reasons for such restrictions.
- (13) Subject to any changes that the Head of Agency considers necessary, the Head of Agency will approve the Internal Audit Charter on the recommendation of the Audit Committee.
- (14) The Audit Committee will periodically review the Internal Audit Charter to ensure that it remains up-to-date and reflects the current scope of internal audit work.

Scope of Internal Audit

- (15) The scope of services provided by the internal auditor will include:
- (a) the examination and evaluation of the adequacy and effectiveness of the Agency's systems of internal control, risk management and governance;
 - (b) the examination of the Agency's compliance with policies, procedures, plans, legislation and Treasurer's Instructions;
 - (c) assessment of the reliability and integrity of financial management information;
 - (d) assessment of the safeguarding of assets;
 - (e) any special investigations as directed by the Head of Agency;
 - (f) any special investigations as directed by the Audit Committee, subject to approval by the Head of Agency; and
 - (g) all activities of the Agency, whether financial, or non-financial, manual or computerised.

The scope of the internal auditor's work may include the provision of advisory activities, the nature and scope of which are agreed with management and which are intended to add value and improve an Agency's governance, risk management and control processes. As the outcome of an advisory service may become the subject of future internal audits, the internal auditor should ensure that its independence is not compromised by undertaking such a role.

Internal Audit Planning Requirements

- (16) The internal auditor will prepare an annual Internal Audit Plan for review by the Audit Committee and approval by the Head of Agency, showing the proposed areas for audit.

- (17) The Internal Audit Plan will be based on an assessment of the goals, objectives and risks of the Agency and will take into consideration any requirements of the Audit Committee and the Head of Agency.**

Good practice internal audit plans will be based on a risk assessment of the Agency's key strategic and operational areas to establish a program of audits over a 12 month period. This approach is designed to be flexible, dynamic and more timely in order to meet the changing needs and priorities of the Agency.

Reporting

- (18) The internal auditor will regularly communicate its findings and recommendations to the Head of Agency, Audit Committee and management of the areas audited.**
- (19) On the completion of each internal audit engagement, the internal auditor will provide a Report to the Audit Committee and the Head of Agency, which details the objective and scope of the audit and the findings of the audit.**

Audit reports should include background information, the audit objectives, scope, approach, observations/findings, conclusions, recommendations and agreed management actions. Reports should promote better practice options and explain why the recommended changes are necessary and how they add value.

Reports should share the internal auditor's observations on significant risk exposures, control issues, corporate governance issues, and other related audit matters. By sharing audit criteria, explaining causes and consequences of audit observations, agencies can gain an understanding of the implications and impacts of the audit findings.

Compliance with professional standards

- (20) Internal auditors will comply with relevant professional standards.**

It is important that internal audit work is conducted in accordance with recognised professional standards. Standards that can guide the work of the internal auditor include:

- the Professional Practices Framework of the Institute of Internal Auditors; and
- Australian Auditing Standards and Auditing and Assurance Standards issued by the Australian Auditing and Assurance Standards Board.

Implementation of audit recommendations

- (21) The Head of Agency and the Audit Committee must systematically review progress against audit recommendations and agreed action plans.**

Co-ordination with external audit

- (22) The Audit Committee will periodically consult with the Auditor-General, to discuss matters of mutual interest, to co-ordinate audit activity and to reduce duplication of audit effort.**