

# FINANCE, AUDIT AND RISK COMMITTEE CHARTER



*everyone's family*

## COMPOSITION

The Finance, Audit and Risk Committee is a sub-committee of the Board. It comprises two non-executive Directors appointed by the Board together with the Chairman of the Board. In addition, the Board may approve the appointment of an external party as a fourth member of the Committee. Members are appointed for such terms as the Board may determine. Each member is expected to be financially literate, and at least one member must hold a current and recognised Australian accounting qualification.

The Chief Executive Officer, Chief Financial Officer and the Company Secretary also attend its meetings. Other relevant management together with external parties who are not Directors but whose expertise or input is relevant to the operation of the Committee may attend by invitation. None of these attendees has voting rights.

The Chairperson is a non-executive Director other than the Chairman of the Board, and the quorum for holding a meeting of the Committee is two non-executive Directors.

Members are appointed by the Board of Directors, and the performance of the Committee is reviewed by the Board as part of its periodic self-evaluation process.

The Committee generally meets three times per annum at appropriate times in the audit cycle, but frequency may vary according to need. Members are expected to attend either in person or through other approved means such as teleconferencing. Proxy attendees are not permitted.

## ROLE

The primary responsibility of the Finance and Audit Committee is to assist the Board in its governance role of ensuring that the organisation operates effectively, efficiently, ethically and legally. It does this by setting the standards for, and monitoring:

- the quality of financial reporting and compliance with statutory and regulatory requirements, codes of conduct and reasonable community expectations;
- the control and management of all financial and audit risks emanating from the operations of The Smith Family, including keeping the Board informed of effective economic liabilities;
- the ability of the Finance function to produce data and information that allow the effectiveness of the organisation's programs to be analysed both operationally and strategically by Management;
- the effective management of the organisation's finances and investments, including initiatives that enhance the fund-raising capacity of the organisation;
- the effectiveness of risk management policies and procedures; and
- the work of Internal and External Auditors.

It also:

- recommends to the Board the appointment and where appropriate the replacement of the external auditors;
- approves audit plans and reviews audit reports; and
- reviews capital expenditure proposals which fall outside the delegated authority of the Chief Executive Officer, and makes recommendations

The monitoring of Workplace Health and Safety and the review of actions proposed by management in relation to health and safety issues is the responsibility of the Board of Directors and as such is excluded from the Charter of this Committee except to the extent that it may be

integral to matters which are the responsibility of the Committee. The Board may seek advice separately from the People & Culture Committee on these matters.

## **REPORTING**

The Committee is accountable to the Board of Directors. The Chairperson of the Committee reports to the Board Meeting following a meeting of the Committee on the matters discussed and makes any recommendations to the Board which have been agreed by the Committee. Detailed minutes are recorded for each meeting and are available to the Board for review as required.

The Committee does not have the authority to commit the Board or management to the implementation of any of its recommendations except where such authority is specifically delegated to it by the Board.

## **OPERATING PROCEDURES**

In discharging its responsibilities the Committee meets on a regular basis to consider various matters.

### **A. *Audit Management***

1. The Committee acts as the conduit between the Board of Directors and the external auditors. As such, the Committee:
  - a. evaluates the performance of the external auditors and makes recommendations to the Board on their continued appointment or replacement;
  - b. agrees the annual external audit program with the auditors, including the extent of the related internal audit effort, and monitors its implementation;
  - c. reviews and recommends to the Board on the proposed audit fee structure;
  - d. assesses the extent to which the non-audit services of the auditors should be used, whether on a paid or *pro bono* basis, in the light of the need to ensure that the independence of the external auditors is maintained; and
  - e. reviews reports prepared by the external auditors on financial statements, business activities, controls and other issues identified during the conduct of the annual audit.
2. The Committee makes recommendations to the Board from time to time on internal audit arrangements and the use of outside internal audit expertise.

The Committee sets and reviews the annual internal audit plan and reports in the context of identifying control risks and agreeing risk prevention and management strategies, as well as reviewing remedial action following, for example, breaches of policy or illegal activity.

Where appointed, the Internal Audit Manager reports to the Committee on the implementation of the annual internal audit plan and the findings therefrom, highlighting key areas of risk and non-compliance, and on remedial actions taken or recommended.

### **B. *Financial Reporting***

1. The Committee meets at least twice annually with Management and the external auditors to consider:
  - a. the audit plan for the year;
  - b. the effectiveness of the annual audit;
  - c. the draft Annual Accounts, including an assessment of the financial result and the correctness and completeness of disclosures and the application of the

Company's accounting policies, having regard to relevant legislative and other requirements; and

- d. the report of the external auditors and the response prepared by management to any issues which may have been raised.
2. The Committee meets separately from Management with the external auditors to discuss any issues relating to the management of the Company's business.
3. The Committee makes recommendations to the Board on the acceptance of, or amendments to, the Annual Accounts as a result of the annual review carried out with management and the external auditors.

C. *Financial and Investment Management*

1. The Committee monitors the financial performance of the Company during the year both against budget and by reviewing key performance drivers.
  - a. The Committee reviews the draft operating and capital budgets and cashflow forecasts prepared by management to reflect the Company's Corporate Operating Plans. The Committee is required to satisfy itself as to the acceptability of the annual budget before making recommendations to the Board. The Board itself is responsible for adopting the budgets, if necessary making appropriate amendments.
  - b. The Committee may also be required by the Board to review interim budgets and forecasts where there has been a material change in the Company's position either financially or within the broader external environment, and to make recommendations to the Board on such amendments as may be required.
  - c. The Committee receives reports and recommendations from Management and, where applicable, external advisers on the implementation Company's investment policy and strategy and determines performance benchmarks and considers changes to the strategy for recommendation to the Board of Directors.
  - d. The Committee may be required by the Board to review and make recommendations on proposals from Management for capital investments where Board approval is required.

D. *Risk Management*

1. The Committee assesses periodically and reports at least annually to the Board on the internal processes and controls for determining, managing and mitigating key financial and operational risk areas, including:
  - management reporting;
  - compliance with laws, regulations, standards and best practice guidelines;
  - important judgements and accounting estimates;
  - litigation and claims;
  - fraud and theft;
  - information technology security arrangements; and
  - relevant business risks other than those dealt with specifically by other committees.
2. In assessing these key risk areas, the Committee will
  - ensure that the company has an effective risk management system and that material risks are reported to the Board;
  - assess the effectiveness of internal controls in conjunction with Management and the internal and external auditors; and

- assess the extent of compliance with key policies and procedures.

*E. Business Policies and Practices*

The Committee reviews Company policies as they relate to financial, investment and audit matters from time to time and recommends acceptance or changes to the Board in line with legislative requirements and business needs. In so doing it may draw upon expert external assistance where necessary.

*F. Other Matters*

The Board may require the Committee to examine specific issues which are outside its normal terms of reference. The Committee may also identify specific issues and recommend to the Board that it be authorised to consider them.