

Audit and Risk Management Committee Charter

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Version History

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1. Purpose and Context of Charter

- The purpose of this Charter is to outline the role and responsibilities of the Queensland Water Commission's Audit and Risk Management Committee (ARMC). The Charter has been developed and revised in the context of the following:
 - *Financial Accountability Act 2009*,
 - *Financial and Performance Management Standard 2009*,
 - Queensland Treasury's *Audit Committee Guidelines: Improving Accountability and Performance*, December 2009.
- Section 61 of the *Financial Accountability Act 2009* imposes significant responsibilities on accountable officers and statutory bodies, including the duty to manage the agency efficiently, effectively and economically, and to establish and maintain appropriate systems of internal control and risk management.
- Section 35 (1) of the *Financial and Performance Management Standard 2009* (Standard) provides that each accountable officer of a department must, and each statutory body may, establish an audit committee for the agency. Section 28 of the Standard provides that the accountable officer or statutory body may establish a risk management committee.
- Section 35 (2) of the Standard states that if an audit committee is established, the accountable officer or statutory body must prepare terms of reference for the committee. This Charter forms those written terms of reference.
- Section 35 (3) of the Standard also states that in establishing an audit committee, the accountable officer or statutory body must have regard to the document called '*Audit committee guidelines: improving accountability and performance*' published by the Treasury department.

2. Authority

- The ARMC is a committee of the Queensland Water Commission (Commission). The committee has no executive powers, unless delegated to it by the Commission. In discharging its responsibilities the ARMC has the authority to:
 - Perform activities and conduct or authorise investigations into matters within the scope of its responsibilities.
 - Access relevant Commission information, records and employees for such purpose.
 - Request the attendance of Commission employees, including executive management, and internal audit at committee meetings,
 - Conduct meetings with executive management, internal and external audit, as necessary.
 - Seek advice from external parties, as necessary.

3. Role and Responsibilities

- The purpose of the ARMC is to assist the Commissioner and Chief Executive Officer (CEO) to discharge their duty to manage the Commission efficiently, effectively and economically and meet the Government's statutory requirement to establish and maintain appropriate systems of internal control and risk management.
- The committee is directly responsible to the Commission for the exercise of its duties and responsibilities. The committee does not replace or replicate executive management responsibilities or the responsibilities of internal and external audit.
- In order to fulfil its role and responsibilities, the committee will undertake the following:

Internal control

- Assess the efficiency and effectiveness of the Commission's internal control framework and systems, including:
 - Evaluate the effectiveness of the Commission's overall governance, risk and compliance framework,
 - Review audit reports and monitor implementation of agreed recommendations,
 - Review whether relevant delegations, policies and procedures are in place, updated as required and complied with,
 - Assess the adequacy of information technology and records management security and control,
 - Review whether the financial internal controls and systems are operating efficiently, effectively and economically.

Risk management

- Evaluate whether management is promoting a risk management culture by communicating the importance of risk management to employees and providing risk management training, as appropriate.
- Review the effectiveness of the Commission's risk management policy and procedures for identifying, assessing, monitoring and managing strategic and operational risks, including the risk of fraud and non-compliance.
- Review the effectiveness of the Commission's processes for identifying and escalating risks, particularly strategic risks.
- Liaise with management to ensure there is a common understanding of the strategic risks to the Commission. Ensure that these risks are actively monitored, managed and documented in a risk register which is regularly updated and monitored.
- Ensure the Commission has effective business continuity plans in place in the event of a major disruption to the Commission's business operations.
- Ensure that insurance arrangements are appropriate for the Commission's risk management.

Financial statements and reporting

- Understand the Commission's financial risks and ensure these are being actively monitored and managed.
- Review the appropriateness of the Commission's accounting policies.
- Ensure the appropriateness of accounting treatments, adjustments, assumptions, and explanations made by management in preparing the financial statements.
- Obtain assurance from management that the financial statements comply with prescribed accounting legislation, standards and guidelines.
- Obtain assurance from management with respect to the accuracy and completeness of the financial statements.
- Review and discuss with management and the external auditors the results of the external audit, including any significant issues identified or recommendations made.
- Review the interim financial statements and review and recommend the final annual financial statements to the CEO and Commissioner for certification.
- Ensure the effectiveness and integrity of the Commission's financial reporting.

Compliance and ethics

- Evaluate whether management is promoting compliance with the Code of Conduct and a culture of lawful and ethical behaviour by communicating the importance to employees and providing relevant training, as required.
- Review the effectiveness of the Commission's compliance program for monitoring compliance with legislation, government standards and directives, internal policies, governance and ethical principles.
- Determine whether management has considered legal and compliance risks as part of the Commission's risk assessment and management procedures.
- Review the effectiveness of the Commission's procedures for detecting and responding to non-compliance.
- Monitor and review the findings of any investigations by management or regulatory agencies, such as the Crime and Misconduct Commission, and follow-up action required.
- Ensure the appropriateness of the Commission's policies and procedures for managing complaints and public interest disclosures and review material complaints and their resolution.

Internal audit

- Provide strong and effective oversight of the Commission's internal audit function. Review the resourcing and skills of the internal audit function.
- Oversee the selection and appointment of any outsourced internal auditor and maintain a strong and productive relationship with the internal auditors.
- Review the internal audit charter annually.

- Review and **approve** the internal audit plan, and any significant changes to the internal audit plan, ensuring that it addresses key business risks.
- Ensure appropriate co-ordination with external audit as required.
- Monitor progress against the internal audit plan, as addressed in each quarterly internal audit report, including any difficulties or restrictions on the scope of activities or access to information or disagreement with management.
- Review the findings and recommendations of internal audits and management's response. Monitor the implementation of agreed internal audit recommendations.
- Meet with the internal auditors out-of-session as required.
- Review policy for the provision of any non-audit services by the internal auditors.

External audit

- Maintain a strong and productive relationship with external audit and facilitate effective liaison and communication between management and external audit.
- Review the external auditor's proposed audit strategy, scope and fees for the current year.
- Ensure there is no material overlap between the internal and external audit functions but ensure appropriate co-ordination with internal audit as required.
- Review the findings and recommendations of external audit and management's response. Monitor the implementation of agreed external audit recommendations.
- Discuss with the external auditor any audit problems encountered in the normal course of audit work, including any difficulties or restrictions on the scope of activities or access to information or disagreement with management.
- Discuss with the external auditor the appropriateness of the accounting policies and treatments applied in the Commission's financial statements.
- Meet with external audit out-of-session as required.
- Review policy for the provision of any non-audit services by the external auditors.

Performance management

- Ensure that the Commission has in place a performance management framework which reflects the whole-of-government performance management framework and the Commission's vision, purpose and strategic objectives and strategies (as stated in the Strategic Plan and Service Delivery Statement).
- Review the Commission's compliance with the performance management and reporting requirements of the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and the *Annual Report Guidelines for Queensland Government Agencies*.
- Monitor the effectiveness of the Commission's performance reporting, ensuring the use of relevant and appropriate measures, targets and evaluation processes.

4. Membership and Meetings

Membership

- The Commission will appoint the Chair and members of the ARMC taking into account the appropriate mix of skills, knowledge and qualifications needed to enable the committee to perform its functions effectively.
- Membership of the ARMC will consist of a minimum of two members. At least one member should have strong financial expertise and at least one member should possess expertise in the water industry.
- The Chair should be independent, i.e. someone external to the Commission or a person internal to the Commission who, in the opinion of the Commissioner, has sufficient independence and expertise to discharge the duties and responsibilities of the committee.
- The term of appointment is for three years or in the case of the Commissioner, the remaining term of appointment.
- Member terms and conditions are to be disclosed in the Letter of Appointment.

Secretary

- A Secretary will be appointed by the CEO to manage and facilitate ARMC meetings and reporting duties. The Secretary will be the Commission's Executive Officer.
- In conjunction with the Chair, the Secretary is responsible for preparing the committee's work program, agendas and minutes. The agenda and meeting papers will be circulated to the committee and regular attendees within a reasonable time (normally five working days) prior to each scheduled meeting.
- The Secretary will provide draft minutes to the Chair for review within two weeks after each meeting. The draft minutes will be circulated with the meeting papers for approval at the next meeting.
- The Secretary will circulate or table all relevant correspondence and reports to the ARMC.

Meetings

- The ARMC will meet at least five times per year, corresponding with the Commission's financial reporting cycle. The schedule of meetings will be agreed in advance. One of these meetings will be a special meeting to approve the financial statements. Additional meetings may be convened as required.
- A quorum will consist of two members of the committee. Members should endeavour to attend every meeting and proxies are not permitted.
- The ARMC may offer standing invitations to the CEO, the Secretary, other relevant Commission staff and internal and external audit to attend committee meetings. The ARMC may also invite external guests to attend the whole or part of committee meetings as required.
- The ARMC may conduct meetings out-of-session with senior management, internal audit and external audit as required.

5. Committee Governance

Ethical practices

- Members of the ARMC must not publicly comment on matters pertaining to activities of the committee other than as authorised by the Commission.
- Members must refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and must at all times act in a proper and prudent manner in the use of information acquired in the course of their duties.
- Members must have regard to the Queensland Government's privacy principles as detailed in the *Information Privacy Act 2009* and any Commission privacy policy.
- Members are required to comply with the Queensland Government's ethical principles as detailed in the *Code of Conduct for Queensland Public Servants, 2011* and any Commission code of conduct.
- Upon appointment, members must complete a declaration of interest statement, to be recorded in the Commission's register of interests. Members must declare those interests which may have a bearing, or be perceived to have a bearing, on their ability to properly and impartially discharge their duties as members of the committee. Members must update their statements whenever there is a change to their interests and on an annual basis.
- Declarations of interest will be a standing item on committee agendas.

Induction, training and professional development

- The CEO is responsible for ensuring that new members of the committee are provided with a suitable 'walkthrough' of the activities of the Commission to enable them to gain an understanding of its strategic objectives, operations and activities, corporate policies and procedures and culture.
- All new members should be given a copy of relevant corporate documents and these should be updated as required.
- The Chair should monitor the training needs of committee members. Any relevant training required at the expense of the Commission should be endorsed by the CEO.
- Members' induction, training and professional development should be minuted by the Secretary.

Reporting

- The ARMC will prepare any reports requested by the Commission, including a summary of the committee's activities to be included in the Commission's Annual Report.

Performance evaluation

- The ARMC will undertake an annual self-assessment of its performance. The Chair and the Commissioner will agree whether any action is required to improve the committee's performance or operation.
- The Commissioner may decide that the committee undergo an external peer review of its performance and may decide that the individual performance of members be evaluated.

Review of Charter

- The Charter should be reviewed and where necessary updated on any annual basis to ensure it remains consistent with the committee’s authority and responsibilities, relevant legislative requirements and Treasury guidelines.

Approval of Charter

- The Charter is to be endorsed by the Chair of the ARMC and approved by the Commissioner.
- Following approval, the Charter will be published on the Commission’s intranet and web site to promote awareness of this governance mechanism within the Commission.

This Charter is endorsed by the Chair of the Audit and Risk Management Committee and approved by the Commissioner.

Peter Dowling.....
Chair

Mary Boydell.....
Commissioner

Dated.....

Dated.....