

Title:	AUDIT & RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE		
Document No:	3		
Document Owner:	Director Finance & Business		
Authorised by:	Trust	Date First Adopted:	February 2010
Version	4	Date This Version Approved:	February 2015
Next Review Date:	February 2017	Revocation / Sunset Date:	February 2017
Category	1		

1 Introduction

1.1 Purpose

The Greater Metropolitan Cemetery Trust's (the Trust) Audit and Risk Management Committee (the Committee) is established under the *Cemeteries and Cremation Act 2003* (the Act) to advise and assist Trust Members in fulfilling their governance and statutory responsibilities.

2 Role & Responsibilities

The Committee operates as an independent and professional expert body to assist Trust members, the Chief Executive Officer and Executive Management Group in fulfilling their governance and oversight responsibilities in the following areas:

- Financial Reporting Compliance;
- Internal Audit;
- External Audit;
- Internal Control Systems and Processes;
- Risk Management;
- Information Systems; and
- Legislative & Regulatory Compliance.

3 Responsibilities

The specific duties of the Committee in relation to its role and responsibilities are:

3.1 Financial Reporting Compliance

- a. Oversee the financial reporting process implemented by Trust management.
- b. Review and approve the Trust's accounting policies and make recommendations on technical acceptance, timing of implementation and system implications of revised or new accounting policies.
- c. Review the annual financial statements and any preliminary announcements prior to their release to ensure they are complete, reflect required accounting principles, contain appropriate disclosures, and are consistent with the information known to Committee members.
- d. Review the non-financial sections of the Trust's Annual Report to ensure the content is Understandable and consistent with the requirements of the Financial Management Act (1994), the published financial statements and Committee member knowledge of Trust operations.
- e. Obtain relevant representations from Trust management on the completeness and accuracy of the Annual Financial Statements and their compliance with relevant legislation, accounting standards and supporting pronouncements.
- f. Provide a recommendation to the Trust on whether to adopt or sign off the Annual Financial Statements.

3.2 Internal Audit

- Oversee the appointment, management, and termination of the Trust's internal auditor. More specifically, the Committee is required to:
 - Oversee the process to select the Trust's internal auditor, and make a recommendation to the Trust on the appointment of the successful firm.
 - Where required, recommend to the Trust that the internal audit firm's services be terminated for a specific, lawful reason(s), subject to the provisions of the internal audit contract.
 - Review and approve the annual internal audit plan, the progress of works undertaken, and any difficulties or restrictions on the scope of activities or significant disagreements with management.
 - Review the findings and recommendations contained in internal audit reports, and the status of agreed actions.
 - Review progress reports to ensure that internal audit recommendations have been actioned by Trust management in line with agreed milestones.
 - Meet in-camera with the internal auditor at least annually to discuss any matters that the Committee or internal auditor considers should be discussed privately.
 - Conduct an annual assessment on the performance of the internal auditor based on the performance criteria contained in the internal audit contract.

3.3 External Audit

- The Victorian Auditor General's Office holds statutory appointment as Auditor for the Trust, the Committee is required to:
 - Review the annual external audit strategy (including scope and approach) in the light of the Trust's circumstances and any changes in regulatory and other requirements.
 - Identify any problems or difficulties encountered by the external auditor in the course of external audit work, including any restriction on audit scope or access to information.
 - Discuss with the external auditor any findings and recommendations contained in management letters and audit reports, including the appropriateness of management responses, and the impact on the audit opinion.
 - Discuss with the external auditor any significant adjustments, unadjusted differences, disagreements with management, and the quality of accounting policies and practices applied by the Trust.
 - Meet in-camera at least annually with the external auditor to discuss any matters that the Committee or the auditor considers should be discussed.
 - Review all representation letters signed by management and ensure that the information provided is complete and appropriate.

3.4 Internal Control Systems

- Evaluate the adequacy and effectiveness of the Trust's administrative, operating and accounting systems, its controls, processes and policies, including IT system controls and security in liaison with Trust management, internal audit and external audit.

3.5 Risk Management

- a. Evaluate and advise on the adequacy of the Trust's risk management strategy and framework;
- b. Review the Risk Register to ensure the risk profile appropriately reflects the strategic, operational and financial risks to which the Trust is exposed, and evaluate the appropriateness of treatments plans developed to manage those risks.
- c. Monitor the status of the risk management process including trends in the risk profile and on the management of specific risks. Refer issues to the Trust for consideration as appropriate.

3.6 Information Systems

- Evaluate the adequacy and effectiveness of information systems that support:
 - Preparation of the Trust's financial statements;
 - Information provided to the Parliament, the Trust, the Victorian Department of Health and the Department of Treasury and Finance; and
 - Strategic and operational performance information that inform on the Trust's and Trust management's compliance and decision-making activities.

3.7 Legislative & Regulatory Compliance

- a. Review the processes used by Trust management to monitor compliance with the Department of Treasury and Finance's Financial Management Compliance Framework and any applicable legislative and regulatory requirements.
- b. Review the processes used by Trust Management to monitor compliance with all other (nonfinancial) legislation and regulations applicable to the Trust.
- c. Review the investigation and follow-up (including disciplinary action) of any fraudulent or noncompliance related activities.
- d. Obtain regular updates from Trust management and the Trust's legal counsel regarding compliance matters that may have a material impact on the Trust's reputation.
- e. Review the findings and recommendations from any examinations by regulatory agencies.

3.8 Policies

- a. The Trust may delegate to the Audit & Risk Management Committee the power to approve certain policies as determined by the Trust.

4 Membership

4.1 Composition

- a. Membership of the Committee should consist of a minimum of three (3) and a maximum of six (6) persons with the following composition requirements:
 - At least three (3) but not more than five (5) Trust members;
 - At least one (1) external independent and non-executive appointment; at the discretion of the Trust.
 - The Chief Executive Officer and the Director Finance and Business Services are not to be members of the Committee but may by standing invitation attend all relevant aspects of committee meetings.
- b. Committee members are to be appointed annually.

4.2 Committee Chair

- a. The Committee Chair must be appointed directly by the Trust for a term of three (3) years and may be re-appointed at the discretion of the Trust.
- b. The Committee Chair is required to be a Trust member, and must not be the Trust Chair.

4.3 Skills and Qualities of Committee Members

- a. Committee members shall be independent based on the requirements of the Standing Directions of the Minister for Finance made under the Financial Management Act 1994.
- b. At least one (1) Committee member must be a member of the professional accounting bodies in Australia (e.g. Institute of Chartered Accountants or CPA Australia or Institute of Public Accountants) and have a professional accounting, management consultancy or audit background.

- c. Committee members should be capable of making a valuable contribution to the Committee by having
 - Basic financial literacy;
 - Reasonable knowledge of the Trust's risks and controls;
 - Integrity, objectivity, accountability, honesty and openness;
 - Dedication of time and effort;
 - An enquiring mind;
 - Independent judgement;
 - Relevant industry knowledge; and
 - Business experience in the public and/or private sector.

4.4 Terms & Vacancies

- a. Committee members shall be appointed for a term of three (3) years and may be reappointed subject to the Committee composition requirements and eligibility.
- b. A Committee Member may resign from the Committee in writing, signed by the member and addressed to the Trust Chair at any time.
- c. The Trust may remove a member of the Committee at any time, if deemed necessary.
- d. The Trust must appoint a person to fill a vacancy in the membership within three (3) months of the vacancy arising.

5 Meetings of the Committee

5.1 Frequency

- a. Meetings shall be held at least four (4) times per annum, and more frequently if deemed necessary.
- b. The Committee Chair must call a meeting of the Committee, if so requested by a member of the Committee or by the Trust Chair.
- c. Meetings may be called or held using any technology determined by the Committee Chair.

5.2 Quorum

- a. A quorum shall consist of not less than two (2) Committee members, one (1) of whom shall be the Committee Chair or a nominee of the Committee Chair.

5.3 Decision-making and Voting

- a. Decisions shall be reached by consensus, or majority vote if required.
- b. Each Committee member is entitled to one (1) vote.
- c. Any Trust member may attend a meeting of the Committee of which they are not a member, for discussion of particular areas of interest to that Trust member. However, the Trust member has no voting entitlement.

5.4 Committee Member's Attendance

- a. Committee members must attend all or, at minimum 75% of Committee meetings.

5.5 In Attendance

The following officers should attend Committee meetings:

- a. Chief Executive Officer.
- b. Executive Management Member(s) (as determined by the Chief Executive Officer per item as required).
- c. Internal Auditor and External Auditor as deemed appropriate.
- d. Non-members of the Committee may be asked to withdraw for all or any part of the meeting as appropriate.
- e. Executive Assistant as minute-taker.

5.6 Agenda

- a. The Committee Chair is responsible for the development of the Agenda for Committee meetings, in conjunction with the Chief Executive Officer.
- b. Items for Agenda shall be advised by Committee members at least two (2) weeks prior to the meeting date, unless otherwise agreed.
- c. The Agenda shall be circulated together with the relevant meeting papers, in electronic form (or in hardcopy form when requested) to Committee members and Trust members at least five (5) working days prior to the meeting date unless otherwise agreed.

5.7 Minutes

- a. Committee findings and recommendations must be minuted by the Executive Assistant.
- b. Draft minutes shall be distributed to the Committee Chair for review not later than forty eight hours (48) following the meeting date unless otherwise agreed. Minutes will then be distributed to other Committee members.
- c. Minutes must be approved by the Committee and signed by the presiding Chair at its subsequent meeting.

6 Confidentiality

- Committee members shall be subject to the confidentiality requirements of the Trust.
- The Committee shall have direct access to and/or seek any information it requires from:
 - a. Any officer or employee of the Trust, through the Chief Executive Officer, where appropriate.
 - b. The Internal Auditor and External Auditor.
 - c. External parties (legal counsel, other professional or agents).

7 Reporting

- a. The Committee shall report to the Trust after each meeting through its meeting minutes and/or a presentation to the ordinary Trust Meeting by the Committee Chair.
- b. The Committee's role, composition, and achievements shall be included in the Trust's Annual Report, together with a statement that the Committee has observed its Terms of Reference.
- c. The Committee's Term of Reference shall be available on the Trust website at all times.

8 Performance Review

The Committee shall review its operations and assess its performance annually, and provide a report to the Trust on the achievement of performance measures and targets contained in **Appendix A** to the Committee's Terms of Reference.

9 Document Review

- a. The Committee shall review and reassess its Term of Reference to every two (2) years to ensure continued relevance, and to address any emerging issues.

Appendix A – Performance measures and targets

The Committee will monitor the following targets annually:

Strategic Objectives	Performance Measures	Target
Governance	<ul style="list-style-type: none"> Number of meetings and attendance record. 	<ul style="list-style-type: none"> 4 meetings 75% attendance
Appropriateness and audit acceptance of accounting policies.	<ul style="list-style-type: none"> Compliance with accounting standards Auditors' qualifications or reservations. 	<ul style="list-style-type: none"> Full compliance No qualifications or reservations
Financial reporting processes and annual financial statements.	<ul style="list-style-type: none"> Deadlines met Auditors' qualifications or reservations. 	<ul style="list-style-type: none"> All deadlines No qualifications or reservations
Compliance with legislation and GMCT's Code of Conduct and Code of Financial Practice.	<ul style="list-style-type: none"> Percentage compliance FMCF compliance Credit card compliance Taxation compliance 	<ul style="list-style-type: none"> Full compliance Full compliance Full compliance Full compliance
Internal audit	<ul style="list-style-type: none"> Timeliness Cost effectiveness Acceptance of recommendations 	<ul style="list-style-type: none"> 95% of projects on time Costs within budget 90% of recommendations implemented
External audit	<ul style="list-style-type: none"> Timeliness Cost effectiveness Acceptance of recommendations 	<ul style="list-style-type: none"> 95% of projects on time Costs within budget 90% of recommendations implemented
Risk management	<ul style="list-style-type: none"> Completeness Timeliness 	<ul style="list-style-type: none"> Risk register complete and up-to-date continuously 95% of action plans implemented on time
Accountability and internal control over GMCT's operations and financial reporting.	<ul style="list-style-type: none"> Accuracy of monthly reporting Timeliness of monthly reporting Application of internal audit recommendations 	<ul style="list-style-type: none"> No material errors detected after issue Completed and reconciled ten working days after end of month 90% of recommendations implemented