

COMMITTEE TERMS OF REFERENCE

Title	AUDIT & RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE		
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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.

Nothing in this Charter limits any powers or responsibilities of the Trust.

2 Role & Responsibilities

2.1 Objective

The Committee operates as an independent and financially literate body to assist Trust members, 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.

2.2 Executive Powers

The Committee's role is to make recommendations to the Trust; accordingly, it does not have the executive powers to commit the Trust or management to implement its recommendations except in relation to the approval of certain policies as determined by the Trust.

The Committee shall have direct access to and seek any explanation and additional information, or independent and expert advice, it requires in undertaking its oversight and advisory responsibilities.

3 Responsibilities

In accordance with the Standing Directions of the Minister for Finance (2016), independently review and assess the effectiveness of the GMCT's systems and controls for financial management, performance and sustainability, including risk management

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

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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 significant financial and reporting issues, including complex or unusual transactions and highly judgemental areas and understand their effect on the financial report.
- d. Review the annual financial statements and any recent professional and regulatory 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.
- e. Review the report of operations on financial management, performance and sustainability 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.
- f. 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.
- g. Assess significant estimates and judgements in financial reports by asking management about the process used in making material estimates and then ask the internal and external auditors the basis for their conclusions on the reasonableness of management's estimates.
- h. Assess management explanations for unusual transactions or significant variances from prior year results.
- i. Review annual financial statements and make a recommendation to the Trust on whether to authorise the statements before they are released to Parliament.

3.2 Internal Audit

- a. Oversee the appointment, management, and termination of the Trust's internal auditor. More specifically, the Committee is required to:
 - review and approve the internal audit charter
 - 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 strategic internal audit plan and the annual audit work program, 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.
 - Review the effectiveness and efficiency of the function via 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

- a. The Victorian Auditor General's Office holds statutory appointment as Auditor for the Trust, the Committee is required to maintain effective communication with external auditors, including:

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- Review and understand the external audit strategy and internal audit.
- Consider the external auditor's views on any issues, including accounting issues that may impact on the financial statements, financial management compliance issues and other relevant risks impacting the GMCT's finances
- Consider external audit outcomes, including financial and performance audits
- Provide a standing invitation to the external auditor to attend Audit Committee meetings
- 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 to ensure frank and open communication.
- Review with management and the external auditors all matters required to be communicated to the audit committee under the Australian Auditing Standards.
- Review all representation letters signed by management.
- Regularly review implementation of actions in response to internal or external audits, including remedial actions to mitigate future instances of non-compliance

3.4 Internal Control Systems

- a. 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 in accordance with the Committee's Annual Work Plan 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

- a. 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 Human Services 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 and monitor compliance with the Financial Management Act, Standing Directions of the Minister for Finance and Instructions, and advise the Trust on the level of compliance attained
- b. Review the processes used by Trust Management to monitor compliance with all other (nonfinancial) legislation and regulations applicable to the Trust.

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- 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.
- f. Assess effectiveness of, and compliance with the GMCT Code of Conduct.
- g. Review and monitor remedial actions taken to address Compliance Deficiencies

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.

3.9 Responsibilities of the Chair

The Chair of the Committee holds both a leadership and relationship management role. The Chair:

- leads the Committee in the conduct of its responsibilities and discharge of its duties
- leads the Committee in ensuring effective governance of the Committee and the achievement of the Committee Responsibilities
- interprets Trust policy as required
- in consultation with the CEO or Director – Finance & Business, sets the meeting agenda of the Committee and oversees the provision of adequate information to the Committee and Trust
- leads an effective relationship with the CEO and Executive
- leads an effective relationship with each Committee Member, and
- acts on other related matters.

4 Membership

4.1 Composition

Membership of the Committee shall be determined by the Trust and consist of:

- a. a minimum of three (3) and a maximum of six (6) Trust members and:
- b. at the discretion and option of the Trust, one (1) external independent and non-executive appointment;
- e. 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.
 - Must be a Trust member
 - Must not be the Trust Chair.

4.2 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 have appropriate expertise in financial accounting or auditing and 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 appropriate skills and experience to discharge the Audit Committee's responsibilities
 - Basic financial literacy;

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- 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 and be objective in its deliberations, decisions and advice;
- Relevant industry knowledge; and
- Business experience in the public and/or private sector.

4.3 Terms & Vacancies

- a. Committee members shall be appointed on an annual basis by the Trust subject to the Committee composition requirements and eligibility. The Trust will also review Committee composition each time new members are appointed to the Trust.
- 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.

4.4 In Attendance

The following officers should attend Committee meetings:

- a. Chief Executive Officer.
- b. Director of Finance and Business (Executive Sponsor).
- c. Executive Management (per item as required and as determined by the Chief Executive Officer).
- d. Internal Auditor and/or External Auditor as deemed appropriate.
- e. Executive Assistant as minute-taker.

Other members of management, or parties external to the GMCT, may be invited by the Committee Chair to attend any meeting of the Committee or part thereof, as a resource or in an advisory capacity following consultation with the Chair and the Chief Executive Officer.

Non-members of the Committee may be asked to withdraw for all or part of any meeting as appropriate.

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, who must be GMCT Trust members

5.3 Meeting Papers

- a. Meeting papers will be delivered electronically via secure software and tablets or email or other methods as required.

5.4 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. The Committee Chair does not have a casting vote.

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- d. 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. Trust members who are not Committee members will also receive Committee papers and notices for their information.

5.5 Committee Member's Attendance

- a. Committee members must attend at least 75% of Committee meetings.

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 or Director Finance & Business.
- 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, to Committee members and Trust members at least five (5) days prior to the meeting date unless otherwise agreed.
- d. Meeting agendas are to be structured throughout the year to ensure that each responsibility of the Committee is addressed.

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. Once received from the Committee Chair, 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 and attendees shall be subject to the confidentiality requirements of the GMCT.
- 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.

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9 Document Review

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.

10 Committee Terms of Reference History

Date	Details of Change
2010	Updated
2015	Reviewed and updated
March 2016	Updated to new template and consolidated with Trust Charter
Nov 2016	Reviewed and Updated
Feb 2017	Approved by Trust
Feb 2018	Approved by Trust with changes to Membership clause and Terms of Reference review cycle

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