



# **Audit and Risk Committee Charter**

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# Contents

<b>1. Purpose.....</b>	<b>3</b>
<b>2. Role and functions .....</b>	<b>3</b>
Risk management .....	3
Internal audit .....	3
Financial planning .....	4
Financial reporting.....	4
General .....	4
Annual financial statements.....	5
In-year financial statements.....	5
External audit .....	5
Other responsibilities .....	6
<b>3. Committee membership.....</b>	<b>6</b>
Tenure.....	6
Chair .....	6
Lapse of membership.....	7
Sub-committees .....	7
Remuneration.....	7
<b>4. Meetings .....</b>	<b>7</b>
Agenda.....	7
Quorum .....	7
Voting.....	7
Attendance by telephone.....	7
Attendance by non-Committee members .....	7
<b>5. Reporting .....</b>	<b>8</b>
<b>6. Authority .....</b>	<b>8</b>
Access to management.....	8
External advice.....	8

## 1. Purpose

- 1.1 The Board has established the Audit and Risk Committee to assist it in discharging its responsibilities in relation to:
- (a) the adequacy and effectiveness of the accounting and financial controls, including the Cancer Council NSW's (Cancer Council) policies and procedures to assess, monitor, and manage business risk
  - (b) annual reporting, including periodic financial reporting
  - (c) legal and ethical compliance programs (including the Cancer Council's Code of Conduct), and
  - (d) internal and external audit functions.

## 2. Role and functions

- 2.1 The Board has delegated the functions listed below to the Audit and Risk Committee in accordance with clause 12.11 of Cancer Council's Constitution.
- 2.2 In carrying out these functions, the Committee will have regard to the following general principles:
- (a) the Committee will always be aware in its deliberations of its duty to the community in light of the charitable role of Cancer Council
  - (b) the Committee will always be focused on applying best practice corporate audit standards and accounting standards, and
  - (c) the Committee will work to maintain free and open communication between the Committee, auditors and the management and Board of Cancer Council.

### Risk management

- 2.3 The Committee has the following risk management functions:
- (a) monitors and seeks assurance that:
    - (i) appropriate and effective risk and compliance frameworks are in place
    - (ii) business is conducted within the scope of those frameworks
    - (iii) management devotes relevant, appropriate and proper attention and resources to compliance and risk management issues, and
    - (iv) material risk and compliance issues are escalated to the Board.
  - (b) review the organisational policies that relate to its charter and report to the Board on their adequacy in relation to financial risk management and risk culture
  - (c) review the adequacy of all insurance covers, and policies
  - (d) review policies to ensure that conflicts of interest are managed appropriately
  - (e) review the Business Continuity Plan/Disaster Recovery at least annually, and
  - (f) review and report to the Board on the appropriateness of the risk appetite statement.

### Internal audit

- 2.4 The Committee has the following internal audit functions:
- (a) review the procedures for the selection and appointment of the internal auditor and the rotation of internal audit engagement partners

- (b) make recommendations to the Board regarding the appointment or removal of internal auditors
- (c) review and approval of the annual internal audit plan, together with any changes proposed to the plan during the year
- (d) gain an understanding of whether internal control recommendations made by the auditors have been implemented by management
- (e) assess the performance and objectivity of the internal auditor, and
- (f) ensure independence of the internal audit function from the external auditor; however, the external auditor and internal auditor should liaise closely to maximise audit coverage and prevent unnecessary duplication of work.

### **Financial planning**

2.5 The Committee's specific function on finance is to review and report to the Board that:

- (a) operating expenditure is in accordance with budget and Cancer Council's corporate plan
- (b) capital expenditure incurred is in accordance with budget and the Cancer Council's policies, and
- (c) Cancer Council's financial reports accurately reflect its performance.

2.6 The following are intended to form part of the normal procedures for the Committee's finance responsibility:

- (a) monitor actual financial performance against budget and recommend to the Board any strategic changes required to ensure budget targets are achieved
- (b) regularly review financial operating, financial performance, capital expenditure, cash flow and other financial reports as required to satisfy itself as to the accuracy of the reports to the Board
- (c) review and endorse for Board approval the annual operating income and expense budget, capital expenditure budgets and cash flow forecasts for the following financial year
- (d) review business cases for projects or capital expenditure in accordance with the delegations of authority established by the Board, and
- (e) perform post-completion project audits as deemed necessary.

### **Financial reporting**

2.7 The Committee has the following financial reporting functions:

#### **General**

- (a) gain an understanding of the current areas of greatest financial risk and how management is managing these effectively
- (b) consider with the auditors any fraud, illegal acts, deficiencies in internal control or similar issues
- (c) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements
- (d) ensure that management and the auditors evaluate significant risks and exposures, and the actions to minimise such risks
- (e) review any legal matters which could significantly impact the financial statements, and

- (f) review the delegation of authorities within Cancer Council.

#### **Annual financial statements**

- (g) review the financial statements and determine whether they are complete and consistent with the information known to the Committee members and assess whether the financial statements reflect appropriate accounting policies
- (h) focus on areas of judgment e.g. those involving valuation of assets and liabilities; product or environmental liability; and other commitments and contingencies
- (i) meet with management and the external auditors to review the financial statements, and the results of the audit
- (j) assess the fairness of the financial statements, and obtain explanations from management and external auditors on whether:
  - (i) actual financial results for the year varied significantly from budgeted or projected results
  - (ii) there are any actual or proposed changes in accounting or financial reporting practices
  - (iii) Cancer Council's financial and operating controls are functioning effectively, and
  - (iv) the financial statements contain adequate and appropriate disclosures.

#### **In-year financial statements**

- (k) review the financial operating, financial performance, capital expenditure, cash flow and other financial reports and report to the Board
- (l) monitor actual financial performance against budget and recommend to management any strategic changes required to ensure budget targets are achieved.

#### **External audit**

- (m) review the procedures for the selection and appointment of the external auditor and the rotation of external audit engagement partners
- (n) make recommendations to the Board regarding the appointment or removal of external auditors
- (o) review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope
- (p) consider the independence of the external auditor
- (q) meet separately with the external auditor to discuss any matters that the Committee or auditor believe should be discussed privately
- (r) ensure that significant findings and recommendations made by the external auditor are received and discussed on a timely basis
- (s) ensure that management responds to recommendations by the external auditors
- (t) Ensure the external audit function is independent of the internal auditor; however, the external auditor and internal auditor should liaise closely to maximise audit coverage and prevent unnecessary duplication of work, and
- (u) review the performance of the external auditor.

### Other responsibilities

- 2.8 The Committee's further responsibilities are to:
- (a) perform other oversight functions as requested by the Board
  - (b) if necessary, initiate special investigations and, if appropriate, hire special counsel or experts to assist
  - (c) regularly update the Board about Committee activities and make appropriate recommendations
  - (d) ensure the Board is aware of matters which may significantly impact the financial condition or affairs of the Cancer Council, and
  - (e) review its Charter annually and recommend any proposed changes to the Board for approval.

## 3. Committee membership

- 3.1 The Audit and Risk Committee shall consist of no fewer than three members, including:
- (a) at least two Board Directors; and
  - (b) at least one external person with relevant expertise.
- 3.2 With Board approval, the Committee may temporarily operate with fewer than three members, provided that at least one member is a Board Director.
- 3.3 All members should have financial expertise. All members should also have an understanding of risk management, which may be from a business, legal and/or financial background. Each Committee member should be capable of making a relevant contribution to the Committee.
- 3.4 In accordance with clause 12.12 of Cancer Council's Constitution, all members shall be appointed by the Board, and the Board has power to terminate the appointment of a member at any time.
- 3.5 The Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer will attend Committee meetings. However, the Committee may exclude those officers from any part of a meeting, if it deems that exclusion to be appropriate.
- 3.6 The internal and external auditors will be present and will make presentations to the Committee as may be requested by the Chair from time to time.

### Tenure

- 3.7 Members are appointed for a term of three years and may serve three consecutive terms. The Board may approve an extension beyond these three terms, if appropriate.

### Chair

- 3.8 The Chair of the Audit and Risk Committee shall be appointed by the Board from among the members of the Committee for a term of three years and a maximum of three terms. The Chair of the Board of Cancer Council NSW should not be appointed as Chair of the Audit and Risk Committee. If the Chair of the Audit and Risk Committee is unavailable for a meeting, the Committee may nominate another member to serve as Chair for that meeting only.

### **Lapse of membership**

- 3.9 Membership of the Committee will lapse if a member fails to attend three consecutive meetings of the Committee, unless exceptional circumstances exist. The member will be notified by the Chair in writing that his or her membership has lapsed.

### **Sub-committees**

- 3.10 The Committee may ask members to participate in specialised sub-committees from time to time. These sub-committees may make recommendations to the Audit and Risk Committee only.

### **Remuneration**

- 3.11 Members are not offered remuneration. Members may seek reimbursement for expenses legitimately incurred in travelling to attend Committee meetings, with prior approval of the Chair of the Committee.

## **4. Meetings**

- 4.1 The Committee shall meet as frequently as required but not less than four times a year. Any Committee member, the Chief Executive Officer or the Chief Operating Officer may call a meeting of the Committee.
- 4.2 The Chair may convene additional meetings of the Audit and Risk Committee if, in the Chair's opinion, such additional meetings are necessary.

### **Agenda**

- 4.3 The Company Secretary will prepare the agenda in consultation with the Chief Operating Officer and the Chair.
- 4.4 The Company Secretary will cause a notice of each meeting confirming the date, time, venue and agenda to be forwarded to each member of the Committee in the week prior to the date of the meeting.
- 4.5 The notice for members will include relevant supporting papers for the agenda items to be discussed.

### **Quorum**

- 4.6 A quorum of the Committee will comprise any two appointed members, including at least one Board Director.

### **Voting**

- 4.7 Each member shall have one vote. The Chair of the Committee shall not have a second or casting vote.

### **Attendance by telephone**

- 4.8 Members are permitted to participate in meetings of the Committee via telephone or other appropriate technology.

### **Attendance by non-Committee members**

- 4.9 The Committee may invite such other persons to its meetings, as it deems necessary. Members of management who are in attendance at meetings of the Committee may be asked by the Chair to absent themselves from all or any part of any meeting.

## 5. Reporting

- 5.1 The Committee reports to the Board of Cancer Council.
- 5.2 The Chair of the Committee, or delegate, shall report to the Board following each meeting.
- 5.3 The Company Secretary will ensure minutes of proceedings and recommendations of Committee meetings are kept.
- 5.4 Minutes should be distributed to all Committee members and the Board, after the preliminary approval has been given by the Committee Chair.
- 5.5 Minutes, agenda and supporting papers will be made available to any Board Director upon request to the Company Secretary, providing no conflict of interest exists.

## 6. Authority

### Access to management

- 6.1 The Board authorises the Audit and Risk Committee to:
  - (a) seek any information it requires from any employee or volunteer (and all employees and volunteers are directed to cooperate with any request made by the Audit and Risk Committee)
  - (b) require the attendance of employees and contractors at meetings as appropriate, and
  - (c) meet with one or more employees and contractors without the presence of management.

### External advice

- 6.2 The Audit and Risk Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance (in a non-voting capacity) of external persons with relevant experience and expertise if it considers this necessary. The Committee may meet with these external advisers without management being present.
- 6.3 Any costs incurred as a result of the Committee consulting an independent expert will be borne by Cancer Council; however, no Member is authorised to commit the organisation to the expenditure of monies on professional advice until first obtaining the approval of the Chair of the Committee to do so. In the event the Chair is unwilling or unable to provide approval, or that the cost of the professional advice will exceed \$10,000, then the approval of the Board must be sought and obtained.