



FINANCE, AUDIT AND RISK MANAGEMENT COMMITTEE: TERMS OF REFERENCE

PURPOSE

To set out a draft of the purposes and powers of the Committee.

FUNCTION

The function of the Committee is to:

- > Ensure compliance with statutory reporting responsibilities
- > Liaise with, assess the quality of work, and review the scope of work of the external auditors
- > Enable the auditors to communicate any concerns to the board
- > Advise the board on the appointment of the external auditors and the results of their work
- > Assess the adequacy of accounting, financial and operating controls and that the organisation's financial statements and reports are accurate and use fair and reasonable estimates
- > Assess the effectiveness of the management of business risk and reliability of management reporting
- > Report to the board any significant deficiencies identified above

AUTHORITY

Within the scope of its responsibilities, the Committee is authorised to:

- > Seek any information from any employee or any external party
- > Obtain legal or other professional advice
- > Require the attendance of the CEO at its meetings

FORMAT

Membership

- > Three members and the Chairman of the Committee shall be appointed by the board of xxxxxxxx. A quorum consists of two nominated members
- > Formal minutes of each meeting will normally be taken by a nominated member

Attendance by Others

- > The Chief Executive Officer may be invited to attend each meeting of the Committee but will not be entitled to a vote
- > The Committee will invite the external auditors to attend Committee meetings as appropriate

Membership

The Committee will normally meet 10 times a year or at the request of management, any Committee, or the board.

ROLES AND RESPONSIBILITIES

The primary function of the Committee is to assist the board in fulfilling their oversight responsibilities by reviewing draft financial reports, the systems of internal controls and risk management which management and the board have established, and the audit process.

The principal roles and responsibilities of the Committee are:

ROLES AND RESPONSIBILITIES

Statutory Reporting

- > Review the monthly and annual financial statements, determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles
- > Review the other sections of the annual report and any statutory (financial) report before its release and consider whether the information is understandable, compliant with statutory and reporting requirements and consistent with members' knowledge about the organisation and its operations
- > Discuss the results of the various audits with the external auditors
- > Monitor compliance with continuous disclosure obligations

General

- > Review significant accounting policies and procedures
- > Review significant accounting, taxation and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements
- > Focus on judgmental areas, for example those involving: valuation of assets and liabilities; warranty, product or environmental liability; litigation and other commitments and contingencies

EXTERNAL AUDIT

- > Make recommendations to the board regarding the appointment of the external auditors
- > Review the external auditors' identification of issues and business and financial risks and exposures
- > Review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope
- > Consider the independence of, and the annual declaration of independence from, and review the performance of the external auditors
- > Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis
- > Ensure that management responds to recommendations by the external auditors and agreed action items are addressed promptly

RISK MANAGEMENT

General

- > Ensure that appropriate systems are in place to monitor the entire spectrum of business risks within the organisation
- > Gain an understanding of the current areas of greatest financial and business risk and review how these risks are being managed
- > Review reports from management on the status of business risks
- > Review annually the Risk Management Plan
- > Review the "Authorisation Limits" from time to time and approve any changes to the Authorisation Limits

Internal Controls

- > Determine if the appropriate internal control systems have been established by management
- > Monitor compliance of the internal control procedures
- > Confirm that internal control recommendations made by external auditors have been addressed by management and agreed action items implemented
- > Consider with the management and external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues

Compliance with Policies, Laws and Regulations

- > Review the effectiveness of the system for monitoring compliance with policies, laws and regulations and the results of management's investigation and follow-up (including disciplinary actions) of any fraudulent acts or non-compliance
- > Obtain regular updates from management regarding compliance matters
- > Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements
- > Review the findings of any examinations by regulatory agencies

CORPORATE GOVERNANCE

- > Review documents and policies created by the board that deal with corporate governance
- > Evaluate whether there is an appropriate attitude by the executive management and whether the board emphasise the importance of ethical business conduct
- > Ensure that audit programs include monitoring compliance with codes of conduct and other Trustee policy statements
- > Periodically obtain updates regarding compliance

REPORTING RESPONSIBILITIES

- > Regularly update the board about its activities and make appropriate recommendations
- > Ensure the board are aware of matters which may significantly impact the financial condition or affairs of the business

OTHER RESPONSIBILITIES

- > If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist
- > Review and update the charter and receive approval of changes from the board
- > Evaluate the Committee's own performance on a regular basis

SOURCE

- > Adapted from [Lifeline Australia's Audit and Risk Committee Terms of Reference](#)

REFERENCES

- > Fishel, D, The Book of the Board, Federation Press, Sydney, NSW (2003; 3rd edn. 2014)

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[The Book of the Board](#) is Australia's standard reference book for board and committee members of non-profit organisations. Authored by Positive Solutions Director, David Fishel, and currently in its third edition, The Book of the Board provides clear guidance on the role of the non-profit board, formal and legal responsibilities, and the ways in which the board can maximise its effectiveness for the organisation.

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