

Board Finance, Audit, and Risk Management Committee policy



Authorised by board on: 12 June 2019

Managing Director's authorisation: *Patrick W Dae*

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1. PURPOSE

The purpose of this policy is to document the composition, objectives, responsibilities, and administration of the board's Finance, Audit and Risk Management (FARM) Committee.

2. DEFINITIONS AND ACRONYMS

Definitions - follow link to [Definitions](#)

Acronyms – follow link to [Acronyms and Abbreviations](#)

3. RISK TYPE

Compliance	Financial	Governance	ICT	People	Research
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4. RELEVANT DOCUMENTATION

This section contains links to internally and externally facing documents – access to internally facing documents is restricted to FRDC employees.

Relevant documentation
Internal
Board governance policy
Board meeting administration procedure
External
Public Governance, Performance and Accountability (PGPA) Act 2013

5. PUBLICATION

This policy is to be made available on the FRDC website.

6. OBJECTIVES

The objectives of the FARM Committee are to:

1. assist the board to discharge its corporate governance responsibilities, as required by section 45 of the Public Governance, Performance and Accountability (PGPA) Act 2013
2. to exercise due care, diligence and skill in relation to oversight of the quality and integrity of the FRDC's accounting, auditing, financial reporting, risk, and compliance systems; including the:
 - a. compliance of the financial statements with all applicable legal and mandatory professional reporting requirements as well as making informed decisions regarding accounting and regulatory policies, judgements, practices and disclosures
 - b. appointment and independence of the company's auditors
 - c. scope and results of internal audit reviews and external audits
 - d. effectiveness of systems of risk management, internal control and compliance.

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7. RESPONSIBILITIES

The FARM Committee will examine any matters that it considers necessary in order to fulfil its objectives; and will undertake reviews and make recommendations to the board. The FARM Committee will also examine any other matters referred to it by the board.

7.1 Financial reporting responsibilities

The responsibilities of the FARM Committee in relation to financial information are to:

1. review the financial information presented by management to the board and to the public
2. review the FRDC's accounting policies and reporting requirements to ensure accuracy, timeliness and the inclusion of appropriate disclosures
3. oversee the preparation of the budget (Annual Operational Plan and Portfolio Budget Statements)
4. review the draft annual financial statements prior to board approval, focusing on:
 - a. significant changes in accounting policies and practices
 - b. major judgemental areas
 - c. significant audit adjustments
 - d. proposed departures from accounting standards
 - e. compliance with statutory and financial reporting requirements
5. ensure that the board receives reliable and timely management information, and advise the board accordingly
6. review all representation letters signed by management, and assess them for completeness and appropriateness
7. resolve any difficulties between the external auditor and management

7.2 Risk, policies and controls

The responsibilities of the FARM Committee in relation to risk, policies and control are to:

1. review the adequacy of, and monitor, accounting control systems by reviewing the external auditor's written reports and by monitoring management's responses and actions to correct any deficiencies
2. monitor and review the risk management framework (including risk appetite statements) and assess the adequacy of mitigation strategies outlined in the policy
3. oversight planning and implementation of actions to address risks and opportunities
4. monitor the adequacy and effectiveness of the FRDC's risk management processes
5. review the adequacy and currency of the FRDC's risk management policies
6. review the effectiveness of the compliance framework for identifying, monitoring, and managing compliance with relevant compliance obligations
7. review the adequacy of information communications technology (ICT) governance, and monitor control systems; including reviewing both external and internal ICT auditor's written reports and monitoring management's responses/corrective actions
8. monitor the application of FRDC's administrative, operating and accounting policies through active communication with management and external auditors
9. approve the internal audit plan and provide oversight of the delivery of that plan
10. consider and review with management any difficulties encountered in the course of internal and external audits, and any instances of significant fraudulent activity
11. review the adequacy of fraud controls and any instances of fraudulent activity
12. Monitor activities involving the receipt of gifts and benefits

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13. At each meeting review the *Breaches of the code of conduct register* and the *Gifts and benefits register*

7.3 Auditors

The responsibilities of the FARM Committee in relation to auditors are to:

- (a) meet with the Australian National Audit Office (ANAO) and the internal auditor to review their proposed audit strategies and any other issues arising
- (b) report to the board on:
 - (i) the efficiency and effectiveness of the external and internal audit functions
 - (ii) the scope of the ANAO audit strategy
 - (iii) any issues arising from the annual review meeting, the ANAO report and recommendations
 - (iv) the effectiveness of internal controls and adequacy of systems as identified by the internal and external auditor
- (c) ensure that audit report recommendations are actioned appropriately

7.4 Compliance with legal and regulatory obligations

The responsibilities of the FARM Committee in relation to compliance are to review regular reports provided to it by FRDC management on corporate governance compliance (including making recommendations to the board on the outcomes of investigations into compliance incidents). This includes oversight the FRDC's compliance with applicable work health and safety (WHS) legislation. The FRDC targets a best practice standard for WHS compliance.

7.5 Shared risk and risk transfer

The responsibilities of the FARM Committee in relation to shared risk and risk transfer are to:

- a. review the adequacy of FRDC's insurance program
- b. ensure the risk framework identifies and quantifies shared risks and included appropriate risk mitigation strategies

8. COMPOSITION AND MEETINGS

8.1 Membership and attendance at meetings

- a. The FARM Committee will comprise of at least two non-executive directors, and at the board's discretion, may add an independent expert member (sourced from outside the FRDC).
- b. The Chair and Deputy Chair of the FARM Committee will be appointed by the board, with advice from the members of the FARM Committee.
- c. The members, taken collectively will have a broad range of skills and experience relevant to the operations of the FRDC.
- d. At least one member of the FARM Committee will have accounting or related financial management experience with an understanding of accounting auditing standards in a public sector environment. All FARM Committee members should be financially literate. Where a member does not have the requisite expertise upon initial appointment, financial literacy will be attained within a reasonable period of time after his or her appointment.
- e. If an independent member is appointed, they will be appointed for an initial period not exceeding three years, and preferably so as to provide continuity between FRDC

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boards. He/she may be reappointed after a formal review of his/her performance, for a further three year term.

- f. A quorum of the FARM Committee is any two (2) members of the FARM Committee
- g. Any director will be entitled to attend meetings of the FARM Committee as an observer, and the FARM Committee may call on any internal or external expertise to attend its meetings.
- h. FRDC management may attend meetings, as determined by the Chair, but will not be members of the committee.
- i. A representative(s) of external audit will be invited to attend meetings of the committee, as an observer(s).
- j. Members will have unlimited access to both internal and external auditors, to all FRDC staff, and to all FRDC information.
- k. The secretary of the FARM Committee will be the Company Secretary, or another person nominated by the Chair.

8.2 Meetings

- a. Meetings of the FARM Committee will be held not less than three (3) times a year. Special meetings may be convened as required to fulfil the FARM Committee's responsibilities.
- b. Meetings may be held in person, by telephone or by video conference, or by any combination of these media. The FARM Committee may give its approval by circular resolution given by all members.
- c. The Company Secretary, or other person nominated by the Chair, will take the minutes of the proceedings of all FARM Committee meetings

8.3 Authority

The board delegates authority to the FARM Committee, within the scope of its responsibilities, to obtain such outside information and advice as it needs (including market surveys and reports). The FARM Committee will not have the authority to make a decision on the board's behalf, and will make recommendations to the board on all matters requiring a decision.

8.4 Sub-delegation

The FARM Committee may, at its discretion, delegate some or all of its objectives and responsibilities to the Chair and may delegate any of its objectives and responsibility to a sub-committee of the FARM Committee.

8.5 Board reporting

The FARM Committee will report to the board after each meeting, and circulate the minutes to the board as soon as practical.

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