



# Audit, Risk Management and Compliance Committee

## Terms of Reference

Version	Date	Changed/Approved by	Changes Made
1	December 2010	Board	Original
2	April 2015	Board	Updated to comply with Public Governance, Performance and Accountability Act 2013
3	May 2015	Board	As approved by Board 1/5/2015
4	April 2016	Board	Annual Review
5	June 2017	Board	Annual Review
6	January 2018	Board	5.1 Members of the ARCC
7	January 2019	Board	Annual Review
8	January 2020	Board	Annual Review

## TABLE OF CONTENTS

1. INTRODUCTION .....	3
2. OBJECTIVES OF THE ARCC .....	3
3. POWERS OF THE ARCC .....	3
4. DUTIES AND RESPONSIBILITIES OF THE ARCC .....	4
4.1 Audit .....	4
4.2 Financial Reporting .....	4
4.3 Risk Oversight and Management .....	5
4.4 Fraud Risk Management .....	5
4.5 Compliance .....	5
4.6 Governance .....	5
4.7 Performance Reporting .....	5
5. COMPOSITION OF THE ARCC .....	6
5.1 Members of the ARCC .....	6
5.2 Quorum .....	6
5.3 Chairperson of the ARCC .....	6
5.4 Minute Secretary .....	6
5.5 Term of Appointment .....	6
5.6 Authority to attend Board meetings .....	6
6. ARCC MEETINGS .....	6
6.1 Frequency of meetings .....	6
6.2 Decision of the ARCC .....	7
6.3 Minutes to be kept .....	7
6.4 Observers and invitees .....	7
7. REPORTING .....	7
8. MANAGEMENT OF CODE OF CONDUCT .....	7
9. TERMS OF REFERENCE REVIEW .....	7
10. REFERENCES AND RELATED DOCUMENTS .....	7

## 1. INTRODUCTION

The Board of Directors (**the Board**) of the Coal Mining Industry (Long Service Leave Funding) Corporation (Coal LSL) has constituted the Audit, Risk Management and Compliance Committee (**ARCC**) in accordance with:

- section 45 of the Public Governance, Performance and Accountability Act 2013 (PGPA Act); and
- section 17 of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule).

The ARCC is to discharge its functions in accordance with this charter and terms of reference.

The ARCC plays a key role in assisting the Board with its responsibilities as the accountable authority of Coal LSL, in:

- ensuring the integrity of the financial statements and the independence of the audit function;
- monitoring and controlling of risks; and
- ensuring compliance with applicable laws and regulations,

The responsibility for these matters remains with the Board, even though it may reasonably rely upon the advice and reports of the ARCC.

## 2. OBJECTIVES OF THE ARCC

The objectives of the ARCC are to:

- Provide recommendations to the Board;
- Review the appropriateness of Coal LSL's:
  - financial reporting;
  - performance reporting;
  - system of risk oversight and management;
  - system of internal control;
  - accounting policies;
  - business policies and practices; and
  - compliance with applicable laws and regulations;
- Provide an additional forum for communication on issues relating to financial reporting, internal control and risk management;
- Oversee the effectiveness of the internal and external audit functions;
- Oversee the quality of internal reporting; and
- Oversee governance issues for Coal LSL.

## 3. POWERS OF THE ARCC

- The Board authorises the ARCC to seek any information it requires within the scope of its duties and responsibilities.

- The ARCC shall have unlimited access to the external and internal auditors, as well as access to relevant Employees.
- The ARCC may also obtain independent professional advice where it considers this necessary to carry out its duties.
- The ARCC may, where the ARCC considers it appropriate, refer to the Board any other documents it considers require review or amendment.

## **4. DUTIES AND RESPONSIBILITIES OF THE ARCC**

The ARCC are to meet to receive reports and review matters relating to the following areas of responsibility:

### **4.1 Audit**

- Recommend appointment of specialist internal audit service providers and external auditors, including advising the Board on the professional standards to be used by internal audit service providers;
- Review work programs relating to internal and external audits;
- Receipt and review of internal and external auditor reports;
- Advise the Board on the internal audit program;
- Review of Coal LSL's response to internal and, as far as practicable, external audit reports;
- Identify audit related material that is relevant to Coal LSL, and advise the Board about prudent audit practices;
- Review of the annual external audit letters of engagement; and
- Other audit related matters as requested by the Board.

In addition to the matters listed above, the ARCC is to:

- Make recommendations to the Board on the appointment or removal, and remuneration of specialist internal audit service providers;
- Meet with the internal and external auditors, as required, to receive and consider their reports on the finding of their audits; and
- Meet with employees on matters related to the operation of the financial accounting systems and on issues arising from the internal and external audits.

### **4.2 Financial Reporting**

- Advise the Board on the preparation of annual financial statements; and
- Advise the Board on the adequacy, framework and controls relating to Coal LSL's internal budgeting and reporting, including the management of the Fund<sup>1</sup>.

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<sup>1</sup> Part 6—The Coal Mining Industry (Long Service Leave) Fund, Section 40 Establishment of the Fund, Coal Mining Industry (Long Service Leave) Administration Act 1992

### **4.3 Risk Oversight and Management**

- Oversee the adequacy of the risk management framework, strategy, capability and controls;
- Review the risk policy and framework to ensure an effective system for:
  - identifying, assessing, monitoring and managing risk;
  - ensuring the adequacy of Coal LSL's internal controls; and
  - ensuring accountability at Board level for risk oversight.

### **4.4 Fraud Risk Management**

- Oversee the fraud risk management framework in respect of having and maintaining a Fraud Policy, Fraud Control Plan and Strategy Statement for Coal LSL.
- Review policies on fraud risk awareness, oversight and management, to maintain and improve an effective system for:
  - identifying, assessing, monitoring and managing fraud risk;
  - ensuring the adequacy of Coal LSL's internal controls;
  - ensuring accountability at Board level for fraud risk oversight; and
  - documenting the Fraud Policy including review of changes.

The fraud risk management activities must, however, be consistent with Coal LSL's Risk Management Policy adopted by the Board and will be reviewed on that basis.

### **4.5 Compliance**

Oversee compliance by Coal LSL and its service providers with:

- Coal LSL's policies and procedures;
- Coal Mining Industry (Long Service Leave) Administration Act 1992;
- Coal Mining Industry (Long Service Leave) Payroll Levy Collection Act, 1992;
- The Public Governance, Performance and Accountability Act, 2013 (PGPA) and the PGPA Rule; and
- other applicable legislative requirements.

### **4.6 Governance**

Oversee good governance of Coal LSL, including:

- Recommending appropriate delegations to improve the effectiveness of the Board;
- Code of Conduct requirements including managing conflicts of interest; and
- Policy maintenance and review and endorsement of proposed policy changes to the Board.

### **4.7 Performance Reporting**

Oversee the performance of Coal LSL, including:

- Review Performance Assessment and Reporting Policy, including the framework for the selection of key performance indicators and other performance measures;
- Advise on the preparation and review of Coal LSL's annual performance statements; and

- Advise about action that could be taken on significant matters of concern or significant opportunities for improvement that are mentioned in reports of internal and external audits.

## **5. COMPOSITION OF THE ARCC**

### **5.1 Members of the ARCC**

The ARCC shall consist of not less than two (2) Directors and at least one (1) non-Director. All permanent members together to have the appropriate qualifications, knowledge, skills and experience to assist the ARCC to perform its functions.

Committee members should demonstrate an understanding and ability to apply specific skills as identified in the Coal LSL Competency framework.

A representative(s) of the Australian National Audit Office will be invited to attend meetings of the committee, as an Observer.

The following persons shall not be members of the ARCC:

- the Chairperson of the Board;
- the Chief Executive Officer; and
- the Chief Financial Officer.

### **5.2 Quorum**

All members of the ARCC must be present at the meeting for a quorum.

### **5.3 Chairperson of the ARCC**

An ARCC Chairperson shall be appointed by the Board or otherwise by the permanent members of the Committee for an agreed term and must be the independent member.

The ARCC Chairperson regularly evaluates the ARCC's performance.

### **5.4 Minute Secretary**

A Minute Secretary is to attend all meetings and record proceedings.

### **5.5 Term of Appointment**

The term of appointment of any permanent member of the ARCC shall be as determined by the Board from time to time.

### **5.6 Authority to attend Board meetings**

The ARCC Chairperson is authorised, but not required, to attend Board meetings to present a report on ARCC meetings and matters referred to the Board by the ARCC.

## **6. ARCC MEETINGS**

### **6.1 Frequency of meetings**

The ARCC shall hold a minimum of four (4) meetings per year. Special meetings may be convened as required.

## **6.2 Decision of the ARCC**

The findings and recommendations reported to the Board by the ARCC shall be determined by consensus.

Where support for any matter is not unanimous amongst ARCC members in attendance at the meeting, the reason why an ARCC member does not support the recommendation and of any numbers for and against any recommendation shall be indicated in the report to the Board containing such recommendation.

Only an ARCC member may vote in any deliberations of the ARCC.

The ARCC is empowered to make decisions via circular resolution and can conduct meetings by teleconference or videoconference should the need arise.

Decisions via circular resolution must be 100% in favour to be approved.

## **6.3 Minutes to be kept**

The proceedings of all meetings shall be recorded as soon as practicable after the meeting has been held and provided to the next meeting of the ARCC for approval.

## **6.4 Observers and invitees**

The ARCC may invite persons to observe meetings of the ARCC and provide information to the ARCC. Such persons may include other members of the Board of Directors, Employees, consultants or advisers of Coal LSL.

## **7. REPORTING**

The ARCC is to report its findings, decisions and any recommendations to a regular meeting of the Board of Directors.

The minutes, agenda and supporting papers of each ARCC meeting shall be made available to any Director.

## **8. MANAGEMENT OF CODE OF CONDUCT**

Coal LSL's Code of Conduct always applies in respect of the operations of this Committee.

## **9. TERMS OF REFERENCE REVIEW**

The Terms of Reference for the ARCC shall be reviewed at least annually. All amendments must be approved by the Board.

## **10. REFERENCES AND RELATED DOCUMENTS**

- Public Governance, Performance and Accountability Act 2013 (PGPA Act) and the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule)
- ANAO *Public Sector Audit Committees – Better Practice Guide, 2015*
- Coal LSL Board Charter
- Board Nominee Guidance
- Coal LSL Competency framework

