

## COMMITTEES OF THE BOARD



TITLE: AUDIT & RISK MANAGEMENT COMMITTEE CHARTER

DOC ID: NMIT/COMM/02

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EDITION: N/A

APPROVED FOR USE: NMIT Board

DATE: 7/12/2009

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(refer to Audit Committee Charter in other Governance documents)

***Resolution of Board, the 7th day of December 2009, pursuant to clause 15 of the Institute Constitution.***

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### **Introduction and Purpose**

The Audit and Risk Management Committee (ARMC) is appointed to provide independent assurance to the Board and the Chief Executive Officer (CEO) in fulfilling their oversight responsibilities for the financial reporting, the system of internal control, risk management, audit processes and the institute's process for monitoring compliance with laws, regulations and the ethical conduct as prescribed in the Code of Conduct.

The ARMC does not have executive powers or authority to implement actions in areas over which the Board has responsibility and does not have any delegated power.

### **Authority**

The ARMC has authority to conduct or authorise investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint and oversee the work of any auditor employed by the organisation
- Discuss any matters with the external auditor(s) / internal auditor(s) or other auditors appointed to undertake audit / compliance reviews
- Resolve any disagreements between management and the auditor(s) on financial reporting
- Pre-approve all auditing and non-audit services
- Retain independent counsel, accountants, or others to advise the ARMC or assist in the conduct of an investigation
- Seek any information it requires from employees – all of whom are directed to co-operate with the ARMC's requests-or from external parties
- Meet with institute officers, external auditors, or outside counsel, as necessary

### **Composition**

The ARMC will consist of at least three and no more than six members of the Board. The Board or its nominating committee will appoint ARMC members and the ARMC chair.

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The CEO shall be entitled to attend all meetings unless otherwise decided by the committee. The Director, Corporate Services and Chief Finance Officer (CFO) will attend all meetings and provide executive and administrative support to the committee. The Directors of Programs and Client Services, Associate Directors and Managers may attend as observers at any time. Others may be invited to attend meetings.

A quorum shall consist of at least 50% of the appointed members. The members will have a broad range of skills and experience relevant to the operations of the institute. At least one member shall be designated as the “financial expert”, as defined by applicable legislation and regulation. The committee may co-opt members if required.

### Meetings

The ARMC will meet at least four times a year, with authority to convene additional meetings, as circumstances require. A special meeting may be called to review the Board’s annual financial statements. All ARMC members are expected to attend each meeting, in person or through teleconference or video conference. The ARMC will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and presented to the Board in a timely manner.

### Responsibilities

The ARMC will carry out the following responsibilities:

#### *Financial report*

- Review all accounting policies and reporting issues, including complex or unusual transactions and all professional and regulatory pronouncements, and understand their effect on the financial report.
- Review with management and the external auditors the results of all audits.
- Ensure that the financial statements are supported by appropriate management sign off on the statements and on the adequacy of the systems of internal control.
- Review the annual financial report, and ensure it is complete, consistent with information known to ARMC members, reflects appropriate accounting principles and complies with Australian Accounting Standards, and recommend their adoption to the Board.
- Review other sections of the annual report before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the audit committee under the Australian Auditing Standards.
- Review interim financial reports with management and the external auditors and consider whether they are complete and consistent with the information known to ARMC members before recommending to the Board.

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### *Internal control*

- Consider the effectiveness of the institute's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Monitor ethical standards by determining whether the systems of control are adequate.

### *Risk management*

- Review the institute's risk profile to ensure that material business risks to the institute are dealt with appropriately.
- Ensure that there is regular review and update of the institute's risk profile and that a sound and effective approach has been followed in the development of risk management framework and plans.
- Ensure that the material business risks have been dealt with in a timely manner to mitigate exposures to the institute.
- Review and discuss reports from the risk manager on a regular basis.

### *Internal audit(s)*

- Review with management and the internal auditor the charter, activities, staffing, and organisational structure of the internal audit function.
- Review the performance of the internal auditors on a regular basis.
- Have authority to review and approve the annual audit plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the internal auditor.
- At least once per year, review the performance of the internal auditor and agree with the annual fee.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.
- Ensure that the internal audit's annual plan is linked with and covers the material business risks.
- When appropriate, meet with the internal auditor separately, to discuss any matters that the audit committee believes should be discussed privately.
- Receive, review and discuss audit scopes and reports from the internal auditors and monitor the implementation of any recommendations.
- Speak to the auditors without management being present.

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### *External audit*

- Review the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit activity.
- Review the performance of the external auditors on a regular basis.
- When appropriate, meet with the external auditors, separately, to discuss any matters that the audit committee or auditors believe should be discussed privately.
- Receive, review and discuss audit scopes and reports from the external auditors and monitor the implementation of any recommendations.
- Speak to the auditors without management being present.

### *Compliance*

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of practice to institute personnel, and for monitoring compliance with the code.
- Obtain regular updates from management about compliance matters.

### *Fraud Prevention / Awareness*

- Annually review the adequacy of the institute's fraud prevention policies, procedures and programs.
- Review the adequacy and effectiveness of the institute's fraud awareness programs.
- Review the circumstances surrounding any instances of fraud and identify any associated control weaknesses.
- Oversee investigations of alleged fraud. The ARMC chairperson will be made aware of alleged fraud.

### *Reporting responsibilities*

- Report regularly to the Board about ARMC activities, issues, and related recommendations.
- Provide open communication between audit activity, the external auditors, and the Board.
- Report annually to the Board, describing the ARMC's composition, responsibilities and how they were discharged and any other information required by regulation, including approval of non-audit services.
- Review any other reports relevant to the ARMC responsibilities.

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### *Performance*

- Undertake a review of the ARMC's performance annually.

### *Other responsibilities*

- Perform other activities related to this charter as requested by the Board.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the ARMC charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as might be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the ARMC's and individual members' performance regularly.

### **SUPERSESSION**

***This Charter approved by the Board on 7 December 2009 is in complete substitution of the Charter passed at the Board meeting on 30 June 2008.***