



## **Risk, Compliance and Audit Committee**

# **Charter**

This charter has been adopted by the Royal Australian Navy Central Canteens Board ("RANCCB"), trading as Navy Canteens, to assist the members of the Risk, Compliance and Audit Committee in the exercise of duties and their responsibilities to the Board of the RANCCB. This Charter is to be read in conjunction with the RANCCB Board Charter and is subordinate to it. The principles and policies set out in this charter are in addition to and are not intended to change or interpret any laws, legislation or regulations or the application of the RANCCB constitution. The members of the Risk, Compliance and Audit Committee will review this charter at least annually and recommend revisions to the RANCCB Board as appropriate.

# Uncontrolled if Printed

## Purpose of Charter

1. This Charter establishes the terms of reference and responsibilities of the Risk, Compliance and Audit Committee. This Committee is one of the standing committees of the Royal Australian Navy Central Canteens Board (“RANCCB”), trading as Navy Canteens, established in accordance with paragraph 16 of the Board Charter. The existence of an Audit Committee with specific tasks is required by the *Public Governance, Performance and Accountability Act 2013 (“PGPA Act”)– Division 3, Section 92*. This Committee is constituted, and must perform functions as prescribed by those rules.

2. The Risk, Compliance and Audit Committee Charter is subordinate to the RANCCB Charter and the terms of the RANCCB Charter apply to the Risk, Compliance and Audit Committee unless specifically altered or amended by this Charter. In accordance with the Department of Finance Resource Management Guide No 202 *Audit Committees for Commonwealth entities and Commonwealth companies*, the RANCCB has combined the audit and risk committee functions. This has the benefit of enabling a broader view of the entity, while also decreasing the number of committees and members the RANCCB needs to support. The Risk Compliance and Audit Committee is to ensure that any possible bias that may emerge from the merging of the two functions is recognised when making recommendations to the Board.

## Purpose of the Risk, Compliance and Audit Committee

3. The Risk, Compliance and Audit Committee assists the Board in carrying out its duties by providing independent and objective review, advice and assistance in developing Board policy and monitoring corporate activity within the scope of its remit, and making recommendations to the Board for resolution.<sup>1</sup> The Risk, Compliance and Audit Committee is charged with supporting the RANCCB and its Directors with corporate governance and exercising due care, diligence and skill<sup>2</sup>, in relation to:

- a. complying with obligations under the *PGPA Act*, and the *Navy(Canteens) Regulations 1954*, and all other applicable legislation, regulation, instruments, standards and best practice guidelines relevant to the RANCCB;
- b. providing a forum for communication between the Directors, the executive management of RANCCB including the internal and external auditors; and
- c. risk assessment, treatment strategies and monitoring<sup>3</sup>.

## Responsibilities of the Risk, Compliance and Audit Committee

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<sup>1</sup> [AICD Sample Risk Committee Charter](#).pg 3

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

4. The Risk, Compliance and Audit Committee is responsible for reviewing the appropriateness of the RANCCB's:

- a. financial reporting,
- b. performance reporting,
- c. system of risk oversight and management; and
- d. system of internal control.<sup>4</sup>

5. The Risk, Compliance and Audit Committee is also responsible for the examination of any matter effecting the financial, risk or compliance affairs of the RANCCB that either it considers necessary or are referred to it by the Board. Specifically, it is responsible to the RANCCB for the following:

- a. to review the financial information presented by the Executive to the Board;
- b. to review the RANCCB's annual financial statements and reports to the Minister for Defence and make any recommendations to the Board regarding those reports;
- c. to consider the effects of any changes in the regulatory, accounting, disclosure requirements or other environmental factors regarding compliance or risk relevant to the RANCCB;
- d. to advise the Board on the adequacy, framework and controls relating to the RANCCB's internal budgeting and reporting;
- e. to review the framework for the selection of key performance indicators and other performance measures;<sup>5</sup>
- f. to review the internal and external audit reports to identify any significant matters of concern or significant opportunities for improvement<sup>6</sup> and monitor management's responses and actions and make recommendations to the Board;
- g. monitor the application of the RANCCB's administrative, operating and accounting policies through active communication with the executive management and the external auditors;
- h. design, implement and report to the Board on the results of the internal audit function;

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<sup>4</sup> [RMG 202](#): pg 2. PGPA Rule 2014. Section 17.

<sup>5</sup> [RMG 202](#): pg 4.

<sup>6</sup> *Ibid.*

- i. in respect of External Auditors:
  - i. consult in relation to audit planning;
  - ii. ensure the Auditors have full cooperation of management;
  - iii. meet with the auditors to review the results and discuss the adequacy and effectiveness of accounting and financial controls and any issues the external auditors wish to raise; and
  - iv. make recommendations to the Board regarding the external auditors report.
  
- j. review all reports and policies provided to the Committee by the Executive on:
  - i. corporate governance;
  - ii. policy framework;
  - iii. compliance program; and
  - iv. regulatory affairs;
  
- k. review the RANCCB's Risk Management Framework including:
  - i. the RANCCB's Risk Management Plan, and
  - ii. the RANCCB's Business Continuity Plan;<sup>7</sup>
  
- l. review the adequacy of the controls that are designed to ensure the RANCCB's compliance with legislation;<sup>8</sup>
  
- m. review the adequacy of the RANCCB's internal control environment;<sup>9</sup>
  
- n. assist in capturing the Board's risk appetite and risk tolerance, then, consistent with this determined risk appetite, assist the RANCCB to understand risks that may:
  - i. impede the RANCCB from achieving its goals and objectives,
  - ii. impact on the RANCCB performance,
  - iii. affect the health, safety or welfare of employees, visitors or others in relation to the RANCCB's operations,

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<sup>7</sup> Ibid.

<sup>8</sup> Ibid. pg 5.

<sup>9</sup> Ibid.

- iv. threaten compliance with RANCCB regulatory and legal obligations,
  - v. impact on the communities and environment in which the RANCCB operates,
  - vi. impact on the RANCCB's reputation, or that of its people,
  - vii. result in personal liability for RANCCB company officers arising from RANCCB operations.
- o. review the RANCCB's company-wide implementation of effective risk identification, management and mitigation programs, including:
- i. identify, capture, analyse, review treatment and monitor issues that may impede the goals, objectives and performance of the RANCCB;
  - ii. maintenance of an enterprise risk management framework and appropriate risk management frameworks based on accepted industry standards;
  - iii. maintenance of internal control systems in order to provide accurate, relevant timely and reliable financial and operational information;
  - iv. monitoring and reviewing safety systems throughout the RANCCB's operations;
  - v. monitoring of operations and maintenance of records, to ensure compliance with RANCCB policies and regulatory requirements;
  - vi. the reporting to the Risk Compliance and Assurance Committee and Board on significant issues and risk-related issues, which materially affect the RANCCB;
  - vii. implementation of management systems and loss prevention and control measures directed at managing the potential for loss or damage to the RANCCB;
  - viii. review the RANCCB's insurance program to ensure appropriate coverage by reputable insurers at competitive premium levels with regard to the RANCCB's circumstances and needs;
  - ix. ensure an appropriate risk-aware culture has been embedded throughout the RANCCB.

- p. review, monitor and advise on currency and appropriateness of the RANCCB policy framework for compliance and adequacy<sup>10</sup> with emergent legislation or governance;
- q. identify any special projects or investigations deemed necessary and make recommendations to the Board;
- r. review the Board governance documents on an annual basis; and
- s. any other responsibility specifically delegated by the Board for the Committee to report on.

### **Powers of the Risk, Compliance and Audit Committee**

6. The general powers of the Risk, Compliance and Audit Committee in terms of access to management and external advice is included in the RANCCB Charter. No executive authority is granted to the Committee except as follows:

- a. the authority to obtain independent professional advice up to a limit of \$5,000 without prior approval of the Board. (The Committee should note that good practice would preclude compromising the Auditors independence by letting a contract to the Auditor for a non audit related activity);
- b. to enter into standing arrangements for the provision of on-going professional advice subject to budgetary approval;
- c. to seek any information it requires from employees, who are directed to cooperate with Risk Compliance and Audit committee requests, or from external parties;<sup>11</sup>
- d. to invite participation of the Internal and External Auditors and other advisors in their meetings; and
- e. the authority to incur expenditure on budgeted items to the limit of the budgeted amount.

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<sup>10</sup> RMG 202. pg 5.

<sup>11</sup> AICD. Sample Risk Charter pg 4.

## **Risk, Compliance and Audit Committee Membership**

7. The Risk, Compliance and Audit Committee is to consist of at least three current Board members of the RANCCB. The Chief Executive and the Chief Financial Officer are co-opted as required to assist the Committee in the execution of their duties and requirements. The Chair of the Committee must be non-executive and independent<sup>12</sup>, and will be appointed by the Board on an annual basis. Members serve at the pleasure of the Board but in order to provide continuity, the Board should seek to rotate one member each year. In appointing members, the RANCCB notes the following:

- a. the Chair of the RANCCB may attend meetings of the Risk, Compliance and Audit Committee as an observer but the Chair may not be a member of the Committee;
- b. the findings of the HIH Royal Commission determine that Committee meetings should be temporally divorced from the main Board meetings to ensure the Committee is not unduly influenced or distracted by Board issues in exercising their independence of advice back to the Board;
- c. that the PGPA Act specifically requires the establishment of an Audit Committee (Division Five, Section 45);
- d. the nature of the business before the Committee makes it desirable that legal, commercial and accounting skills are represented. Members should also be conversant with risk management principles and standards.<sup>13</sup> If the skills are not available the Committee should take measures to avail themselves of appropriate expertise when necessary;
- e. the Risk, Compliance and Audit Committee may, with the RANCCB Chair's concurrence, co-opt other Board members to assist it if necessary; and
- f. the RANCCB Chair may appoint an additional member to the committee in the event operational activity or other absence prevents the possibility of a quorum.

## **Risk, Compliance and Audit Committee Meetings**

8. The Risk, Compliance and Audit Committee will meet at least once before each RANCCB Board Meeting, and ensuring no fewer than three times a year<sup>14</sup>, and as often as necessary to complete its business in making recommendations to the Board. Meetings of the Risk, Compliance and Audit Committee will be conducted according to the following principles:

- a. the Chair will schedule the meetings and approve the agenda;

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<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

- b. whilst PGPA stipulates the establishment of the Audit Committee, and good practice is to have the audit function residing in a separate committee, the size of the RANCCB Board does not effectively or economically enable this. As such Committee members must remain diligent in maintaining their independence in the exercising of their audit and governance duties;
- c. a quorum of two members of the Committee not including co-opted members or the CEO/ CFO;
- d. all questions will normally be decided by consensus, or if consensus is not achievable, then<sup>15</sup> by a simple majority of those Committee members present. Where a quorum of two exists, those questions requiring decision not able to be resolved may be decided as an out of session vote but are required to be reflected in the Committee Minutes. It is the exception that issues for decision to be delayed until future meetings due to quorum issues;
- e. the meeting may be conducted by video or teleconference;
- f. the meeting may be attended by the RANCCB CFO as well as the CEO unless not required by the Committee noting these persons are co-opted and not Committee members;
- g. the meeting may be attended by other Board members in accordance with Para 13 of the RANCCB Charter; and
- h. the meeting must deliver Minutes to the Board to record the considerations and outcomes of the meetings and any conflicts of interest including any out of session considerations.

9. The Minutes of the Committee are to be tabled at the first RANCCB Board meeting following the Committee meetings as part of the Board papers, unless the Committee meeting occurs on the same day as the Board meeting when tabling may occur through a verbal update. Where able, Minutes of the Committee are preferable. A summary report is to be provided at the Board Meeting by the Committee Chair.

### **Risk, Compliance and Audit Committee performance**

9. The Risk, Compliance and Audit Committee is subject to conduct an annual performance evaluation in conjunction with the Board review process. The method of review will be determined by the Board using Australian Institute of Company Director guidelines<sup>10</sup>.

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<sup>15</sup> Ibid.



## **Review of the Risk Compliance and Audit Committee Charter**

11. The Risk, Compliance and Audit Committee will review its Charter at least annually and provide any recommendations for change to the Board for approval

<b>Status:</b>	Final	<b>Author:</b>	B.S. York	06 May 2018
<b>Delegate:</b>	Chair RCA	<b>Delegation:</b>		