Australian Property Institute Limited

CHARTER

FINANCE, AUDIT & RISK COMMITTEE CHARTER

Reference Finance, Audit and Risk Committee Charter
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Finance, Audit and Risk Committee Charter

Introduction

The Board of the Australian Property Institute Limited (the API) is responsible for the establishment of the Finance, Audit & Risk Committee (the Committee) for efficient and effective financial and risk management of the API and its controlled entities.

1. Objectives and role of the Committee

The objective of the Committee is to provide independent, objective assurance and assistance to the Board on the API’s financial management, risk, control and compliance framework, and its external accountabilities and responsibilities and to ensure the API remains financially healthy.

The Committee will be assisted by the API’s internal audit and review function that will be responsible for delivering an internal audit program in line with the Committee’s guidance and subject to approval by the Board. The Committee will exercise a governance role in relation to the entity’s internal audit function.

More specifically the Committee is responsible for the following areas:

1.1. Risk management

- reviewing whether management has in place a current and comprehensive Risk Management framework, and associated procedures for effective identification and management of the API’s financial, legal and business risks, including fraud and corruption;
- satisfying itself that a sound and effective approach has been followed in managing the API’s major risks including those associated with risk management plans for major projects and undertakings including financial and legal risk;
- assessing the impact of the API’s risk management framework on its control environment
- and insurance arrangements; and
- satisfying itself that a sound and effective approach has been followed in establishing the API’s business continuity planning arrangements, including whether business continuity and disaster recovery plans have been tested and updated periodically.

1.2. Integrity

- reviewing the process of development and implementing of the API’s Financial Management Executive Policy and satisfying itself that the Company has appropriate processes and systems in place to efficiently manage the financial resources of the Company;
- monitoring compliance with best practice standards on integrity matters, and review and monitor the implementation of any recommendations resulting from this monitoring; and
• processes in place to effectively deal with any identified fraud or corruption in the Company.

1.3. Control framework

• reviewing whether management’s approach to maintaining an effective internal control framework, including relevant Executive Policies and delegations and authorities;
• considering how management identifies any required changes to the design or implementation of internal controls; and
• reviewing whether management has taken steps to embed a culture that promotes the proper use of resources and which is committed to ethical and lawful behaviour.

1.4. External accountability

• reviewing the financial statements and providing advice to the Board (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommending their implementation;
• satisfying itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal controls;
• reviewing the processes in place designed to ensure that financial information included in API’s Annual Report is consistent with the signed financial statements;
• satisfying itself that the API has appropriate mechanisms in place to review and implement, where appropriate, relevant legislative reports and recommendations; and
• discussing with the external auditor, the auditor’s judgements about the adequacy of the API’s accounting policies and the quality of the API’s processes and internal controls in the preparation of the financial statements.

1.5. Legislative and Regulatory compliance

• determining whether management has appropriately considered legal and regulatory compliance risks;
• reviewing management systems for monitoring compliance with relevant laws, regulations and associated government policies with which the API must comply; and
• Determining whether the API’s Work Health and Safety commitments and obligations meet legislative requirements.

1.6. External audit

• acting as a forum for communication between the Board, senior management and auditors;
• providing input and feedback on the financial statements and performance audit scope proposed by external auditors and providing feedback on the audit services provided;
• reviewing all external plans and reports in respect of planned or completed audits and
• monitoring management’s implementation of audit recommendations; and
• providing advice to the Board on actions to be taken on significant issues raised in relevant external audit reports and better practice guides.

1.7. Performance reporting framework

• satisfy itself that the API has an appropriate management performance reporting framework that meets Board policy objectives and requirements and is linked to the API’s strategy and outcomes.

2. Authority of the Committee

The Committee is directly accountable to the Board for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for governance of the API rests with the Board.

The Committee has no executive powers, except those that may be expressly provided by the Board to the Committee.

The Board authorises the Committee, within the scope of its role and responsibilities and through its processes to:

• obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
• discuss any matters with the auditor, or other external parties (subject to confidentiality considerations);
• request the attendance of any employee, including the Chief Executive Officer, at Committee meetings; and
• obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the API’s expense.

3. Composition and Tenure

3.1. Committee membership

The Board is responsible for the appointment of Committee members to vacant positions, and the election of the Chair of the Committee. The Board may request the assistance of the Nominations Committee with the appointment process.

The makeup of the Finance, Audit & Risk Committee requires the avoidance of actual and perceived “unconscious bias”. Consequently, it should be kept at a small number with at least one independent non-Member appointee.

The Committee will consist of at least three (3) and not more than five (5) Committee members and:

• At least one (1) Committee member must be a Director of the Board, but not the Chair of the Board.
• At least one (1) Committee member will be external and independent of the API.
The composition of the Finance, Audit & Risk Committee should be open to, and encourage, diversity in accordance with the API Limited Diversity Policy.

The Committee members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Committee. At least one (1) member of the Committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a not for profit environment. Ideally, at least one (1) member of the Committee should have formal governance qualifications (GAICD or equivalent).

The Chief Executive Officer, the Chief Operating Officer and any Internal Audit staff members will not be members of the Committee; however they may attend meetings as observers at the invitation of the Chair. The Board Chair may wish to attend meetings as a guest or be invited by the Chair of the Committee at any time.

3.2. **Term of office**

To promote continuity of expertise, the Chair will be appointed for a period of two (2) years. Other Committee members will be appointed for terms not exceeding two (2) years, on a rotational basis. All Committee members will be eligible for re-appointment following a formal review of their performance.

3.3. **Vacation of office**

A position on the Finance, Audit & Risk Committee becomes vacant if the Committee member:

- becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under a law relating to mental health;
- has reached the end of their appointed term;
- resigns from office by notice in writing;
- is terminated from their position by the Board;
- is not present at two (2) consecutive Finance, Audit & Risk Committee meetings without leave of absence from the Chair; or
- is directly or indirectly interested in any contract or proposed contract with the API and fails to declare the nature of the interest.

4. **Roles and responsibilities of Committee members**

4.1. **Conduct of Committee members**

Members of the Committee are expected to understand and observe all relevant legislative requirements. Committee members are expected to:

- attend all scheduled meetings - a substitute cannot be offered;
- contribute the time needed to study and understand the papers provided and seek advice if required;
- understand the operating environment of the Company, its strategic objectives, corporate governance requirements, prevailing social and economic conditions and the risks affecting the delivery of outputs;
• apply analytical skills, objectivity and judgement;
• express opinions constructively and frankly, ask questions that go to the fundamental core of the issue and through the Committee Chair pursue independent lines of enquiry;
• avoid any conflict of interest and inform the Committee where actual or perceived conflict may become apparent;
• contribute to an effective decision making process; and
• act in a cordial and respectful manner in all dealings with colleagues, staff and API stakeholders

4.2. Accountability and responsibilities of the Chair

The Chair of the Committee is elected by the Board and may be either a Director or an independent member.

The Chair is responsible for:
• representing the Committee to the Board;
• representing the Committee to external parties
• ensuring regular Committee meetings are held;
• encouraging other Committee members to attend meetings; and
• preparing an agenda for the meetings with the assistance of the Chief Executive Officer (CEO).

In meetings, the Chair will:
• prioritise agenda items and if necessary, set time limits;
• lead the meeting through the agenda, keeping discussion relevant and decision-making clear and encouraging broad participation, e.g. ensuring everyone gets a chance to talk;
• note motions and amendments and put these to the meeting to be voted on;
• sign the minutes after they have been confirmed as an accurate record of the previous meeting; and
• ensure meetings are run in accordance with the API’s Constitution and this Charter.

The performance of the Chair will be reviewed as part of the overall Committee performance evaluation.

4.3. Code of conduct

Committee members are subject to the provisions of the Code of Conduct as approved from time to time by the Board.

4.4. Conflicts of Interest

Existing conflicts of interest and personal interests must be declared at the time of appointment to the Committee. External Committee members should consider past employment, consultancy arrangements and related party issues in making these declarations.
The Chair should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each Committee meeting, Committee members are required to declare any potential or actual conflicts of interest that may apply to specific matters on the meeting agenda. Where required by the Chair, the Committee member will be excused from the meeting or from the Committee’s consideration of the relevant agenda item[s]. Details of potential or actual conflicts of interest declared by members and action taken will be appropriately minuted.

4.5. Confidentiality

Committee members must ensure that issues discussed and opinions expressed at meetings remain confidential. Committee members should not circulate the meeting papers beyond other Committee members and the Board.

Committee members must not use or disclose information obtained by the Committee except in meeting the Committee’s responsibilities, or unless expressly agreed by the Board.

4.6. Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities. Where relevant the Board may also support Committee members to attend appropriate conferences or workshops to further their application of knowledge to the Committee’s role and function.

5. Meetings

5.1. Frequency and location

The Committee will meet at least five (5) times per year, including a special meeting to review the API’s Annual Financial Statements and the audit report from the API’s auditor. The Committee will have an ‘in camera’ session with the external auditors at least once a year.

The location of meetings will be agreed by the Committee and will be subject to budget unless otherwise approved by the Board. Meetings may be face to face, via a means of Telecommunication or by out of session Circular Resolution.

The Chair is required to call a meeting if requested to do so by the Board or another Committee member.

5.2. Meeting papers

The Chair of the Committee is responsible for setting the agenda, in consultation with the API Chief Operations Officer, and Committee members may submit items for consideration by the Chair to be included in the meeting agenda. Only urgent issues may be raised by Committee members at meetings through other business.

Meeting papers are prepared and collated by the Secretariat and circulated to all Committee members at least five (5) working days prior to Committee meetings, wherever possible.

Minutes of meetings, cleared by the Chair, will be prepared and provided to Committee members as draft minutes no later than ten (10) working days after a meeting. Minutes will then be formally endorsed at the following meeting.
A forward meeting plan, including meeting dates and agenda items, will be agreed by the Committee each year. The forward meeting plan will cover all of the Finance, Audit & Risk Committee’s responsibilities as detailed in this Charter and as settled by the Board.

5.3. Attendance at meetings and quorums

A quorum will consist of two (2) Committee members where the total Committee comprises three (3) members, or three (3) Committee members where the total Committee comprises four (4) or five (5) members, and must include the Chair of the Committee.

The auditors and other external representatives may be invited to attend meetings, as determined by the Chair of the Committee. The Committee may also request the Chair of the Board and the Chief Executive Officer or other employees to attend Committee meetings or participate in certain agenda items.

5.4. Telecommunication meetings

A meeting may be held by means of a telecommunication meeting, provided that the number of Committee members participating is not less than a quorum required for a meeting. The following provisions apply to a telecommunication meeting:

- all persons participating in the meeting must be linked by telephone, audio-visual or other instantaneous means for the purpose of the meeting;

- each of the persons taking part in the meeting must be able to hear and be heard by each of the other persons taking part at the commencement of the meeting and each person so taking part is deemed to be present at the meeting;

- at the commencement of the meeting each person must announce his or her presence to all other persons taking part in the meeting;

- a person may not leave a telecommunication meeting by disconnecting his or her telephone, audio-visual or other communication equipment unless that person has previously notified the Chair;

- a person may conclusively be presumed to have been present and to have formed part of a quorum at all times during a telecommunication meeting unless that person has previously notified the Chair of leaving the meeting; and

- a minute of proceedings of a telecommunication meeting is sufficient evidence of the proceedings and of the observance of all necessary formalities if the minute is certified to be a correct minute by the Chair.

5.5. Out of session papers

Where possible all decisions will be made at Committee meetings and formally recorded in the minutes of that meeting. When the Chair determines that urgent matters require the Committee’s approval between meetings Committee members will be provided with a paper and the decision sought by out of session Circular Resolution. Committee members will be given a minimum of five (5) working days to consider the paper, wherever possible.

Approval of out of session papers or decisions occurs if a majority of the Committee members, subject to the quorum being satisfied, vote in favour as indicated on a document returned to the Secretariat including by electronic means.
The resolution is passed when the last Committee member required to achieve a majority signs and submits the document.

Decisions made out of session will be noted at the next scheduled Committee meeting and recorded in those minutes.

6. Secretariat support

The Chief Executive Officer will appoint a person to provide secretariat support to the Committee. The functions of the Secretariat are to:

- provide support services for meetings in consultation with the Chair, including preparation of minutes, preparation and circulation of the agenda and meeting papers, and any other agreed requirements;
- co-ordinate the drafting of all correspondence, letters of advice and other material;
- co-ordinate research on issues being considered;
- ensure Directors’ and Officers’ liability insurance coverage is in place; and ensure timely payment of remuneration and other administrative arrangements for Committee members, where relevant.

7. Reporting

The Committee will, at the end of each year, report to the Board on its operation and activities during the year. The report should include:

- a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- a summary of progress in addressing the findings and recommendations made in external audit reports;
- an overall assessment of the API’s risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting on the Company; and
- details of meetings, including the number of meetings held during the relevant period, and the number of meetings each Committee member attended.

The Committee will provide to the Board, a six (6) monthly or annually report on the comprehensiveness, implementation and effectiveness of the API’s Strategic Risk Register.

The Committee can report directly to the Board on significant issues at other times. Any reports to the Board will be provided to the Chief Executive Officer for comment prior to transmittal. In addition, at any time the Committee Chair may request a meeting with the Board.

The Chair of the Committee will provide a summary of the minutes of each Committee meeting to the Chief Executive Officer and to the Board at the next available meeting.
8. **Performance evaluation**

At the close of each meeting the Chair will ask the Committee members for feedback, including suggestions for improvement, on:

- Relevance of the Agenda
- Quality and timing of the submitted papers and presentations
- Performance of Committee members and others present
- Overall effectiveness of the meeting

The Chair of the Committee will initiate a review of the performance of the Committee at least once every two (2) years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Board) with appropriate input sought from the Board, Committee members, senior management, and any other relevant stakeholders, as determined by the Board.

The Chair of the Committee will provide advice to the Board on a member’s performance where an extension of the member’s tenure is being considered.

9. **Review of Charter**

At least once a year the Committee will review this Charter to ensure continued relevance to the operations of the API. This review will include consultation with the Board. Amendments to this Charter must be approved by the Board.