



**South East Water Corporation
Finance Assurance and Risk Management
Committee Charter**

1. Purpose

The South East Water Board (the '**Board**') has established the Finance, Assurance and Risk Management Committee (the '**Committee**') to serve as South East Water's (the '**Corporation**') Audit Committee pursuant to the Standing Directions 2018 under the Financial Management Act 1994 and to support the Board in discharging its wider duties relating to financial management, risk and control frameworks under the Financial Management Act 1994 and Public Administration Act 2004. The Committee reviews any risks the Committee or the Board considers are significant to the Corporation and is also responsible for reviewing all reports on strategic, commercial, regulatory and financial risks identified by the Iota Services Pty Ltd ('**iota**') Board, the Board or the Committee that are considered significant for the Corporation.

The Committee plays an integral role in the review of internal and external audit plans and reports and is a conduit for communication between the Board, senior management, the Internal Auditor and the Victorian Auditor-General's Office.

The Committee will review, monitor and, where necessary, recommend improvements to:

- (a) The financial management framework and reporting process
- (b) Management systems including Quality and Compliance
- (c) The efficiency and effectiveness of the Corporation's internal control and risk management systems
- (d) The functioning of the Corporation's internal audit function including selection of the internal audit service provider and associated work program
- (e) The Corporation's process for monitoring compliance with laws, regulations, internal standards (including the Corporation's Code of Conduct), policies and expectations of key stakeholders
- (f) The external audit process.

In addition to financial considerations, the Committee will have regard to non-financial information to the extent necessary to carry out its responsibilities and discharge its functions.

2. Responsibilities

(a) Financial Management and Reporting

The Committee will:

- (i) Review and monitor compliance with the Financial Management Act, the Standing Directions and the Instructions and advise the Board on the level of compliance attained
- (ii) Review and monitor remedial actions taken to address compliance deficiencies with an applicable requirement in the Financial Management Act, the Standing Directions and the Instructions
- (iii) Ensure the Victorian Government's Asset Management Accountability Framework is applied
- (iv) Review and recommend to the Board for approval the Corporation's financial statements including whether they are complete, consistent with the Committee members' information

and knowledge, reflect appropriate accounting standards and principles and conform with Victorian Government policies and directions

- (v) Review information in the report of operations to the extent that impacts the Corporation's financial management, financial performance and financial sustainability to ensure that it is consistent with the audited financial statements
- (vi) Review and monitor the Corporation's approach to debt refinancing
- (vii) Review and recommend to the Board all significant changes in the Corporation's accounting policies
- (viii) Ensure appropriate financial planning frameworks and metrics are established
- (ix) Review and approve changes to the Corporation's Treasury Policy
- (x) Review the Corporation's capital structure and make recommendations to the Board as appropriate.

(b) Risk Management

The Committee will:

- (i) Ensure an appropriate overall Risk Management Framework (including Risk Management Policy) is in place with reporting processes established to ensure key risks are reported to the Committee from other Board committees (where consistent with the delegation powers under the Water Act) and to the Board
- (ii) Review the Risk Management Framework biennially, or as required, to ensure it is relevant to the Corporation's strategic direction
- (iii) Monitor adherence to risk appetite as well as review and recommend any changes to risk appetite
- (iv) Evaluate the overall effectiveness of and assurance of key controls
- (v) Evaluate the Corporation's exposure to fraud, including establishing processes for the prevention, detection and investigation of fraud or malfeasance
- (vi) Review the risk profile of the Corporation and other major projects that involve the Corporation
- (vii) Ensure key financial and non-financial risks are being identified, monitored and appropriately managed and where necessary reported to the Board
- (viii) Monitor the Corporation's business continuity processes as appropriate
- (ix) Review the adequacy of the Corporation's insurance program at least annually having regard to the Corporation's business and insurable risks.

(c) Quality Management System

The Committee will:

- (i) Monitor the Corporation's overall status of Quality plans and structures
- (ii) Review policies established and adopted for the oversight and management of Quality Management Systems

- (iii) Review and oversee Annual Management Improvement Plans
- (iv) Monitor management's responses and actions to correct any deficiencies.

(d) Compliance with laws, regulations, internal policies

The Committee will:

- (i) Review the effectiveness of the system for monitoring compliance with laws, regulations and internal policies and the results of Management's investigations and responses (including disciplinary action) to fraudulent acts or non-compliance with Corporation policies
- (ii) Obtain regular updates from Management about compliance matters that may have a material impact on the Corporation's financial statements, strategy, operations or reputation
- (iii) Satisfy itself that all regulatory compliance matters related to the business of the Corporation have been considered in the preparation of the financial statements
- (iv) Review director reimbursements and the gifts, benefits and hospitality register
- (v) Take an active interest in ethical considerations regarding the Corporation's policies and practices
- (vi) Monitor the standard of the Corporation's conduct in areas such as likely conflicts of interest.

(e) Internal Audit

The Committee will:

- (i) Review and approve the internal audit charter
- (ii) Recommend to the Board both the appointment and, if appropriate, termination of the Internal Auditor
- (iii) Review and approve the strategic internal audit plans and annual work programs prepared by the Internal Auditor, including resourcing
- (iv) Ensure that no management restrictions are being placed on the Internal Auditor
- (v) Monitor management's implementation of actions in response to internal or external audits, including remedial actions to mitigate future instances of non-compliance
- (vi) Monitor developments in the internal audit field and standards issued by professional bodies, in order to encourage the usage of best internal audit practice
- (vii) Review and assess the performance of the Internal Auditor
- (viii) Provide an open communication channel between the Internal Auditor and the Board
- (ix) Review the strategic level audit map that integrates internal and external audit elements to maximise the value of the total audit function
- (x) meet privately with internal auditors, if necessary.

(f) External Audit

The Committee will:

- (i) Provide a forum for the external auditor to present external audit strategies, external audit memoranda / letters to management and to provide explanation as to their content and meaning and provide feedback
- (ii) Ensure that no management restrictions are being placed on the External Auditor
- (iii) Review external audit reports and ensure any identified deficiencies in internal controls are given adequate attention by management and Internal Auditor
- (iv) Review management responses to external audit reports in conjunction with the Internal Auditor as required
- (v) Provide a standing invitation to the external auditor to attend Committee meetings
- (vi) Meet with the external auditor without management being present at least once a year.

(g) Other Responsibilities as delegated by the Board

The Committee may also exercise any powers or perform any function, authority or discretion delegated to it by the Board in accordance with the Water Act 1989 (Vic) and as prescribed in the South East Water Instrument of Delegation.

3. Membership

- (a) The Board will appoint Committee Members (the '**Member(s)**') from the Board's non-executive Directors.
- (b) Where the Board Chair is not appointed as a Member, the Board Chair may participate in the Committee *ex officio*,
- (c) The Secretary of the Committee will be the Corporate Secretary.
- (d) A minimum membership will be three (3) non-executive Directors.
- (e) The term of appointment of Members will be for a period of two (2) years or such period determined by the Board. Members are eligible for re-appointment subject to the composition and skill requirements for the Committee.
- (f) Each Member should have the skills and experience appropriate to discharge the Committee's responsibilities and be allowed to explore relevant skills development opportunities when they occur.
- (g) Each Member must be financially literate and understand the operations of the Corporation's business with at least one member having appropriate expertise in financial accounting or auditing.
- (h) The Chair of the Committee (the '**Committee Chair**') will be appointed by the Board Chair and must be a Member other than the Board Chair or the chair of another committee of the Board.
- (i) The composition of the Committee will be reviewed by the Board as required and no less than every two (2) years.

4. Authority

The Board authorises the Committee, within the scope of its responsibilities, to:

- (a) Exercise independent judgement and be objective in its deliberations, decisions and advice
- (b) Have direct access to the Managing Director, Chief Financial Officer and other members of the Executive and senior management, when required
- (c) Have direct access to internal and external auditors without Management present
- (d) Have regard to both financial and non-financial information to the extent necessary to discharge its responsibilities
- (e) Obtain any information it requires from management and employees or external parties
- (f) Obtain expert advice where necessary following consultation with the Board Chair
- (g) Request the attendance of Corporation officers at meetings as appropriate.

5. Independence

The Committee has no executive powers in relation to the operations of the Corporation, except to the extent specified otherwise in this Charter and the South East Water Instrument of Delegation. It functions in an oversight and review role on behalf of the Board and will make recommendations for Board decision/approval when required.

6. Meetings

- (a) Meetings of the Committee may be attended in-person or remotely by electronic means.
- (b) The quorum for a meeting of the Committee is a majority of Members.
- (c) Should the Committee Chair be absent from a meeting, subject to the meeting being quorate, the Members present at the meeting must, by simple majority, choose one of their number to chair the meeting.
- (d) Any question arising at a meeting of the Committee will be decided by a majority of the votes of Members present and voting on the question. The Chair of the meeting has a deliberative vote and, in the event of an equality of votes on any question, a second or casting vote.
- (e) Any Director may attend any meeting of the Committee.
- (f) The Committee may invite such other persons to its meetings as it deems necessary, including persons to provide expert advice as considered necessary by the Committee. Attendees at Committee meetings will, subject to the discretion of the Committee, ordinarily comprise relevant members of the Executive and senior management, plus any other members of management the Committee requests.
- (g) The Committee shall meet with the internal and external auditors without management being present at least once in each calendar year and may, at its discretion, meet with internal and external auditors at other times with or without management, being present.
- (h) Members may not appoint an alternate to attend meetings on their behalf.
- (i) Meetings shall be held not less than four (4) times a year. Special meetings may be convened by the Committee Chair as required, including where it is considered necessary by the Internal or External Auditors.

- (j) The Corporate Secretary (or their delegate) in conjunction with the Committee Chair shall determine an agenda at least one week prior to each meeting. The internal and external auditors will be requested to contribute to the agenda.
- (k) Attendees must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately documented and resolved to the satisfaction of the Committee Chair in accordance with the Board Conflict of Interest Policy.
- (l) The Committee Chair must liaise with the Corporate Secretary to ensure that minutes are kept of each meeting of the Committee. Minutes must include the names of all Members and invitees present, declared conflicts of interest and how they were managed, recommendations to the Board and key elements of discussion, outcomes, reasons and actions for each agenda item.
- (m) A copy of the Committee papers and minutes of each meeting will be made available to all Directors and the Committee Chair will make a report to the next Board meeting.
- (n) The Committee Chair will meet with the chairs of other Board committees as required to discuss relevant responsibilities and matters.
- (o) For a circular resolution to be passed it must be signed by a majority of Members that would have been eligible to receive a notice of meeting if it were held. The circular resolution becomes effective at the time the last eligible Member signs the circular resolution. A copy of any passed resolution will be provided to all Members as soon as practicable, included on the agenda for the next meeting of the Committee and noted in the minutes of that meeting. The circular resolution may be signed in counterpart.

7. Review Cycle

- (a) The Committee Charter will be reviewed at least once every two years.
- (b) Any changes to the Charter must be approved by the Board.

8. Review of Committee Performance

The Committee will periodically evaluate its performance against its responsibilities as set out in the Charter. The Committee will undertake an annual review of its own performance and report the results of that review to the Board.

An external evaluation of the Committee's performance will occur no less than every two years, as part of a broader review of Board performance.