



Audit, Risk and Compliance Committee Charter

Philanthropy Australia Inc. (PA)

Adopted by the Council on 12 November 2015



Committee Charter

1 Membership of the Committee

The Audit, Risk and Compliance Committee (**Committee**) must consist of a minimum of 3 members, with a minimum of 2 members from Council.

The Council may appoint additional Council members or non-Council members to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Council.

Subject to Council approval, the Committee may appoint members who are not Members of Philanthropy Australia if the Committee considers it necessary or advisable.

Non-committee members, including members of management and the external auditor, may attend meetings of the Committee at the invitation of the Committee chair.

It is intended that the members of the Committee between them should have the necessary accounting and financial expertise to be able to discharge the Committee's mandate effectively.

A member of Philanthropy Australia must attend all Committee meetings as minute secretary.

2 Administrative matters

2.1 Meetings

The Committee will meet as often as the Committee members deem necessary in order to fulfil their role. However, it is intended that the Committee will normally meet **quarterly**.

2.2 Quorum

The quorum is at least 2 members.

2.3 Convening and notice of meeting

Any Committee member may convene a meeting of the Committee. Notice will be given to every member of the Committee, of every meeting of the Committee. There is no minimum notice period and acknowledgement of receipt of notice by all members is not required before the meeting may be validly held.

2.4 Chair

In the absence of the Committee chair, the Committee members must elect one of their number as chair for that meeting. The Committee chair has a casting vote.



2.5 Rights of access and authority

The Committee has rights of access to management and to auditors (external and internal) without management present, and rights to seek explanations and additional information from both management and auditors. The Committee may seek the advice of PA's auditors or other independent advisers as to any matter pertaining to the powers or duties of the Committee or the responsibilities of the Committee, as the Committee may require.

2.6 Minutes

Minutes of meetings of the Committee must be kept and, after approval by the Committee chair, be presented at the next Council meeting. All minutes of the Committee must be entered into a minute book maintained for that purpose and be open at all times for inspection by any Council member.

2.7 Reporting

It is intended that a report of the actions of the Committee and a copy of the minutes of the Committee meeting or both will be included in the Council papers for the Council meeting next following a meeting of the Committee.

The Committee chair will, if requested, provide a brief oral report as to any material matters arising out of the Committee meeting. All Council members may, within the Council meeting, request information of members of the Committee.

3 Role & Responsibilities

3.1 Overview

The Committee's key responsibilities and functions are to:

- (a) oversee the Company's relationship with the external auditor and the external audit function generally;
- (b) oversee the preparation of the financial statements and reports;
- (c) oversee the Company's financial controls and systems; and
- (d) manage the process of identification and management of risk.

3.2 Finance and External Audit

The Committee's primary roles in relation to audit are to review and make recommendations to the Council in relation to:

- the reporting of financial information;
- the appropriate application and amendment of accounting policies; and
- the appointment and remuneration of the external auditor.

The Committee also provides a link between the external auditors, the Council and management of PA.

In discharging these roles, the Committee will:

- (a) Review PA's financial reporting and disclosure processes and make recommendations to the Council in relation to the adequacy of those processes.
- (b) Review the Company's financial statements for accuracy, for adherence to accounting standards, and to ensure they reflect the understanding of Committee members of, and otherwise provide a true and fair view of, the financial position and performance of PA, as a basis for recommendation to and adoption by the Council.
- (c) Receive and review reports from the external auditor on PA's financial statements.
- (d) Review and make recommendations to the Council in relation to the appropriateness of the accounting policies, judgements and choices adopted by management in preparing PA's financial reports.
- (e) Ensure that procedures are in place designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management.
- (f) Review and make recommendations to the Council in relation to the scope and adequacy of the external audit.
- (g) Review the effectiveness of the annual audit, placing emphasis on areas where the Committee or the external auditors believe special attention is necessary.
- (h) Review the performance, independence and objectivity of the external auditors.
- (i) Review the procedures for selection and appointment of the external auditors.
- (j) Make recommendations to Council for the appointment, remuneration and terms of engagement of the external auditors.
- (k) Review financial delegations (authority to make payments) and make recommendations to Council in relation to the appropriateness of the delegations to be adopted by PA.
- (l) Review the annual budget prepared by management and recommend to Council for approval. Review financial performance against budget.
- (m) Review sponsorships, partnerships and other funding agreements or arrangements PA may wish to enter into, to ensure that conflicts of interest are appropriately managed and there is a clear understanding of the rights and obligations.

3.3 Risk and compliance

The Committee's primary roles with respect to risk management and compliance are to review and report to the Council that:

- the Committee has, at least annually, reviewed PA's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk;
- adequate policies and processes have been designed and implemented to manage identified risks; and
- proper remedial action is undertaken to redress areas of weakness.



In discharging these roles, the Committee will:

- (a) Evaluate the adequacy and effectiveness of management reporting and control systems used to monitor adherence to policies and guidelines.
- (b) Evaluate the adequacy and effectiveness of PA's financial and operational risk management control systems by reviewing risk registers and reports from management and external auditors.
- (c) At least annually, evaluate and make recommendations to the Council in relation to the structure and adequacy of PA's insurance program having regard to PA's business and the insurable risks associated with its business.
- (d) Review the procedures PA has in place to ensure compliance with laws and regulations.
- (e) Advise the Council on the appropriateness of significant policies and procedures relating to financial processes and disclosures and review the effectiveness of PA's internal control framework.

4 Relationship with the external auditor

The Committee provides a link between the external auditor and the Council and has the responsibility and authority for the appointment and removal of the external auditor and to review the terms of its engagement.

The Committee is responsible for overseeing the Company's external audit policy, a copy of which is attached as Attachment 1.

5 Review

The Council will, periodically, review the membership and Charter of the Committee to determine its adequacy for current circumstances and the Committee may make recommendations to the Council in relation to the Committee's membership, responsibilities, functions or otherwise.



Attachment 1

External Audit Policy

Appointment

The Audit, Risk and Compliance Committee has the responsibility and authority for the appointment, reappointment or replacement and remuneration of the external auditor as well as evaluating its effectiveness and independence. The Committee will review the appointment of the external auditor annually based on its assessment of the auditor's performance.

Assessment of External Auditor

The Committee will review the performance of the external auditor on an annual basis after completion of the year-end audit. In evaluating the effectiveness of external audit, the Committee will assess the effectiveness of the external auditor based on a number of criteria including but not restricted to:

- the overall comprehensiveness of the external audit plan;
- the timeliness and quality of communications promised under the plan and delivered during the audit;
- the competency and industry knowledge of external audit staff; and
- the adequacy of resources to achieve the scope as outlined in the plan.
- The Committee will seek feedback from management during the assessment process.

Independence

The Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. The review and assessment will be carried out annually at the time the external auditor presents its annual audit plan.

Before Council approve the full year accounts, the external auditor will be asked to provide a declaration testifying to its independence in respect of the financial period in question. The external auditor will have a continuing obligation to notify the Committee, of any new information it believes may be material to reviewing its independence.

The Committee has responsibility to develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and to ensure compliance with that policy.