

South East
Water



*healthy
water
for life*

South East Water Corporation
Finance Assurance and Risk Management Committee
Charter

1. Purpose

The South East Water Board's Finance Assurance and Risk Management Committee (the '**Committee**') assists the South East Water Board in discharging its duties overseeing the Corporation's financial management, risk and control framework. The Committee reviews any risks the Committee or South East Water Board considers are significant to South East Water and is also responsible to review all reports on strategic, commercial, regulatory and financial risks identified by the Iota Services Pty Ltd ('**iota**') Board, the South East Water Board or the Committee that are considered significant for South East Water.

The Committee plays an integral role in the review of audit plans and reports and is a conduit for communication between the Board, senior management 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 Environment, Safety, Quality and Compliance
- (c) The efficiency and effectiveness of the Corporation's internal control and risk management system
- (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.

2. Responsibilities

(a) Financial Management and Reporting

The Committee will:

- (i) Review and recommend to the Board for approval the Corporation's and 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
- (ii) Review and monitor the Corporation's approach to debt refinancing
- (iii) Review and recommend to the Board all significant changes in the Corporation's accounting policies
- (iv) Ensure appropriate financial planning frameworks and metrics are established

- (v) Review and recommend to the Board changes to the Corporation's Treasury Policy
- (vi) 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 is in place with regular reporting to Board Committees and the Board
- (ii) Review the Risk Management Framework biennially, or as required, to ensure it is relevant to the Corporation's strategic direction
- (iii) 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 risks are being identified and appropriately managed and where necessary reported to the Board
- (viii) Review the Corporation's business continuity processes
- (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 Environment and Safety, plans and structures
- (ii) Review policies established and adopted for the oversight and management of Environment and Safety
- (iii) Review and oversee Annual Management Improvement Plans
- (iv) Monitor management's responses and actions to correct any deficiencies
- (v) Communicate safety progress and concerns throughout the Corporation.

(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) Be satisfied 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) Recommend both the appointment and, if appropriate, termination of the Internal Auditor
- (ii) Review and recommend approval of the annual and strategic internal audit plans, including resourcing
- (iii) Ensure that no management restrictions are being placed on the Internal Auditor
- (iii) Review significant internal audit findings and recommendations, together with management's responses and action taken
- (iv) Monitor developments in the internal audit field and standards issued by professional bodies, in order to encourage the usage of best internal audit practice
- (v) Review and assess the performance of the Internal Auditor
- (vi) Provide an open communication channel between the Internal Auditor and the Board
- (vii) Develop a strategic level audit map that integrates internal and external audit elements to maximise the value of the total audit function.

(f) External Audit

The Committee will:

- (i) Provide a forum for the external auditor to present external audit plans, external audit memoranda 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 Audit
- (iv) Review management responses to external audit reports in conjunction with the Internal Auditor as required
- (v) Meet separately with the external auditor at least once a year.

3. Membership

Membership of and attendance at meetings of the Committee will be:

- (a) The Board of Directors will appoint the Committee. The Secretary of the Committee will be the Corporate Secretary
- (b) A minimum membership will be two (2) independent non-executive Directors and the Board Chair
- (c) The term of appointment of the two (2) independent non-executive Directors will be for a period of two (2) years or such period determined by the Board and these Directors are eligible for re-appointment subject to the composition and skill requirements for the Committee
- (d) Each member should have the skills and experience appropriate to the Corporation's business and be allowed to explore relevant skills development opportunities when they occur
- (e) Each member must be financially literate and understand the operations of the business with at least one member having accounting or related financial experience
- (f) The Chair of the Committee will be appointed by the Board Chair and be other than, the Board Chair or another Committee Chair
- (g) Attendees at Committee meetings will, subject to the discretion of the Committee, ordinarily comprise the Corporate Secretary, General Manager Finance and Digital (Chief Financial Officer), Manager Risk, Quality and Assurance
- (h) The composition of the Committee will be reviewed every two (2) years.

4. Authority

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

- (a) Obtain any information it requires from management and employees or external parties
- (b) Obtain expert advice where necessary following consultation with the Board Chairman
- (c) Ensure 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. 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) A quorum of the Committee will be two (2) committee members
- (b) Should the Committee Chair be absent from the meeting, the members of the Committee present at the meeting have the authority to choose one of their number to chair that particular meeting
- (c) 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. Committee members may not appoint an alternate to attend on their behalf. Any Board member may attend any meeting of the Committee
- (d) Meetings shall be held not less than four (4) times a year. Special meetings may be convened as required. Internal and external auditors may request a meeting if they consider that it is necessary
- (e) 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
- (f) A copy of the Committee papers and minutes of each meeting will be made available to all Directors and be reported on by the Committee Chair at the next Board meeting
- (g) The Committee Chair will meet with the other Committee Chairs as required to discuss relevant responsibilities and matters
- (h) A circular resolution signed by all members will be effective as a resolution passed at a Committee meeting. The circular resolution may be signed in counterpart.

7. Review Cycle

- (a) The Committee Charter will be reviewed annually
- (b) Any changes to the Charter must be approved by the Board.

8. Review of Committee Performance

The Committee will annually evaluate its performance against its responsibilities as set out in the Charter.

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.