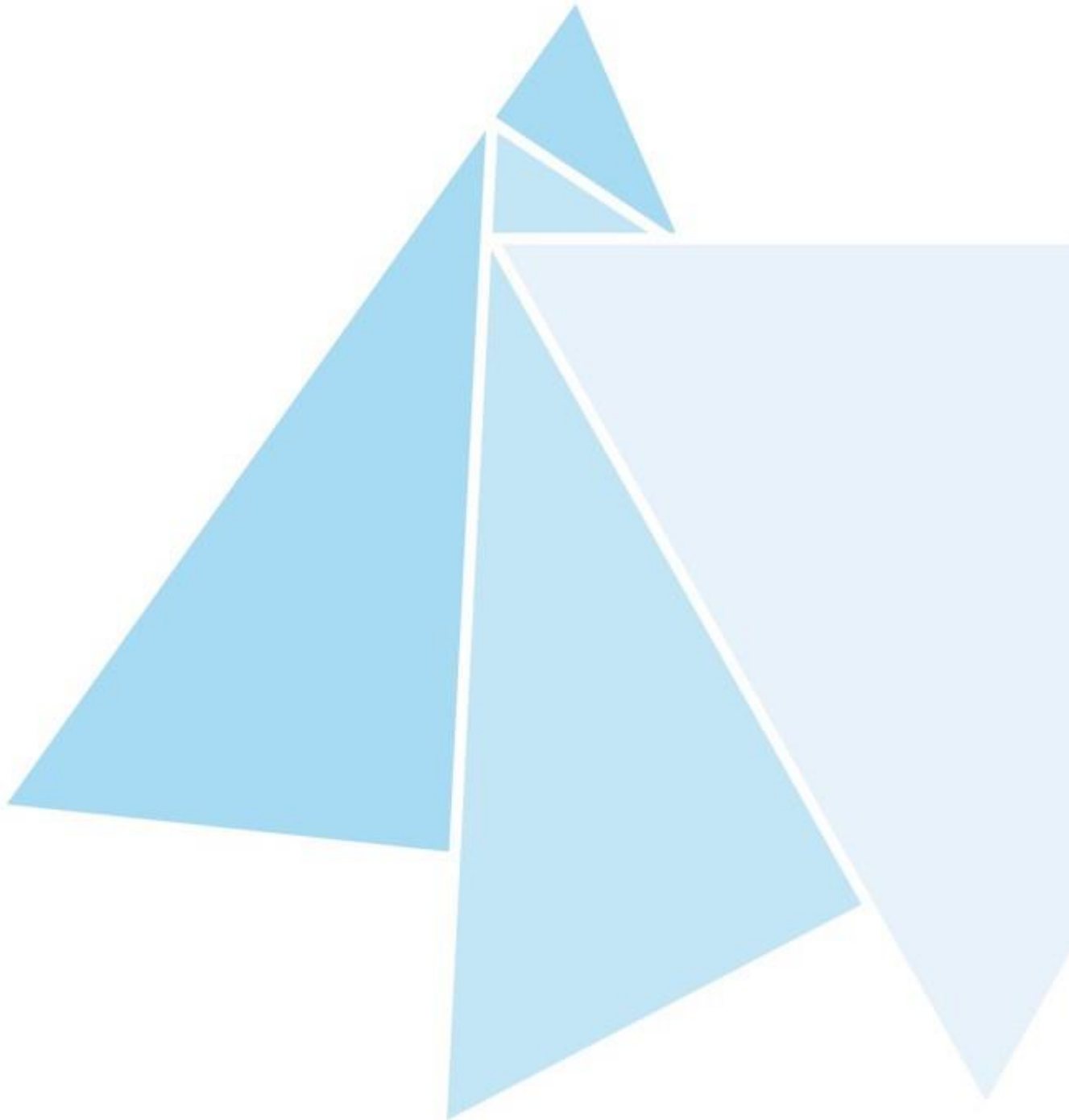


Audit, Risk and Compliance Committee Charter

Victorian Funds Management Corporation (the "Corporation")

28 October 2021



Improving the future prosperity of Victoria

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1 Purpose and authority

1.1 Purpose

The purpose of this Audit, Risk and Compliance Committee Charter is to specify the role, responsibilities, membership and operation of the Audit, Risk and Compliance Committee ('**Committee**').

1.2 Authority

The Committee is a committee of the Board and is authorised by the Board to assist it in fulfilling its statutory and regulatory responsibilities. It is required to exercise the role and responsibilities set out in this charter and any additional tasks requested by the Board from time to time.

The Committee has the authority and power to exercise the responsibilities set out in this charter and under any separate delegations from the Board granted to it from time to time. In carrying out its functions the Committee should exercise independent judgement and be objective in its deliberations, decisions and advice.

2 Role of the Committee

2.1 Role

The Standing Directions 2018, made by the Minister for Finance under the *Financial Management Act 1994* ('**FMA**') ('**Standing Directions**'). require the Corporation to establish an audit committee. In line with good governance, oversight of internal controls, risk and compliance also form part of the Committee's responsibilities.

The primary role of the Committee is to assist the Board in carrying out the following functions:

- (a) oversight of the integrity of the Corporation's financial reporting and financial statements;
- (b) the appointment and performance of the internal auditor;
- (c) the review of audit reports from the external auditor;
- (d) review and oversight of operational risk management and internal controls; and
- (e) oversight of the policies and procedures for ensuring compliance with relevant legal and regulatory requirements.

3 Audit, risk and compliance responsibilities

The Committee's functions and responsibilities are to:

3.1 External reporting

- (a) review, assess and recommend to the Board approval of financial reports, which include:
 - (i) financial reports of the Corporation; and
 - (ii) financial reports of the trusts for which the Corporation acts as trustee;
- (b) review the results of external audits of the financial reports;
- (c) review the information in the report of operations on financial management, performance and sustainability;

- (d) evaluate the appropriateness of and any changes to accounting and financial reporting policies;
- (e) assist the Board in the conduct of an annual review of the Corporations' financial governance performance and receiving reports of performance by key tier 1 suppliers;
- (f) review and monitor compliance with the , the Standing Directions and the Instructions supporting the Standing Directions and to advise the Board of the level of compliance attained;
- (g) review and monitor remedial actions taken to address Compliance Deficiencies (defined by the Standing Directions as an attribute, condition, action or omission that is not fully compliant with a requirement in the FMA, Standing directions and/or Instructions; and
- (h) regularly review implementation of actions in response to internal and external audits, including remedial actions to mitigate further instances of non-compliance.

3.2 External audit

Maintain effective communication with external auditors (including the Victorian Auditor-General's Office ('VAGO') and any VAGO appointed agents) by:

- (a) inviting the external auditor on a standing basis to attend Committee meetings to discuss audit results and consider the implications of external audit findings;
- (b) reviewing the scope of the external audit, including identified risk areas and any additional procedures, with the external auditor on a periodic basis;
- (c) considering the external auditor's views on any issues that may impact on the financial statements, financial management compliance issues and other relevant risks impacting VFMC's finances;
- (d) considering external audit outcomes, including financial and performance audits;
- (e) keeping apprised of all representation letters signed by management to the external auditor; and
- (f) meeting with the external auditor without management present at least once a year.

3.3 Internal Audit

- (a) review and approve the internal audit charter (every 3 years);
- (b) review and approve the strategic internal audit plan;
- (c) review and approve the annual internal audit work plan;
- (d) review the effectiveness and efficiency of the function;
- (e) advise the Board on the appointment and performance of the internal auditors; and
- (f) meet with the internal auditor without management present at least once per year.

3.4 Internal control, risk management and compliance

- (a) review the effectiveness of the Corporation's risk management framework to ensure processes operate to identify, monitor, evaluate, report and manage material business risks to the corporation;

- (b) review the Corporation's policies and procedures that require Board approval;
- (c) assess the effectiveness of the Corporation's compliance framework, including its compliance monitoring system;
- (d) receive reports concerning material incidents and ensuring that material changes to the risk profile of the Corporation are reported to the Board at least annually;
- (e) review management processes to ensure the corporation is up to date with relevant new legislation and/or changes to relevant existing legislation;
- (f) evaluate the effectiveness of the internal control system with management and internal and external auditors;
- (g) meet periodically with key management, internal and external auditors and compliance staff to understand the Corporation's control environment; and
- (h) consider recommendations made by internal and external auditors relating to or impacting on financial management, performance and sustainability and the actions taken by management to resolve issues raised.

4 Membership

4.1 Composition and size

The Committee will consist of:

- (a) only non-executive directors; and
- (b) at least three and no more than five members.

Membership is determined by the Board chair in consultation with the Board. Members of the Committee should be appointed for an initial term of up to three years, and subject to a formal review of performance, may be appointed for a further term, generally of three years, but for no more than nine years in total. Membership of the Committee is to be reviewed by the Board on a periodic basis, and at least every three years.

4.2 Chair

The chair of the Committee must be a non-executive director who is not the chair of the Board.

The chair of the Committee is appointed by the Board. If, for a particular Committee meeting, the Committee chair is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect a chair for the meeting.

4.3 Technical expertise

The Committee must be structured so that:

- (a) all members have a good working knowledge of financial statements; and
- (b) at least one member has relevant qualifications and experience/financial expertise, that is, is an accountant or financial professional with experience of financial and accounting matters.

The Corporation Secretary will provide new members with all relevant and necessary information.

4.4 Commitment of Committee members

Committee members must devote the necessary time and attention for the Committee to carry out its responsibilities.

4.5 Secretary

The Corporation Secretary is the secretary of the Committee.

5 Committee meetings and processes

5.1 Meetings

Meetings and proceedings of the Committee are governed by the provisions in the VFMC Act regulating meetings and proceedings of the Board in so far as they are applicable and not inconsistent with this charter.

5.2 Frequency and calling of meetings

The Committee will meet as frequently as required to undertake its role effectively and not less than four times each year.

The chair must call a meeting of the Committee if requested by any member of the Committee, the external auditor, the internal auditor or the chair of the Board.

5.3 Quorum

At least half the number of directors appointed constitute a quorum for meetings of the Committee.

5.4 Attendance by Directors, management and advisors

Other members of the Board are invited to Committee meetings under a standing invitation.

The Chief Executive Officer, Chief Operating Officer, Chief Risk Officer and Head of Finance are expected to attend each scheduled meeting of the Committee, though they are not members of the Committee.

A standing invitation will be issued to the internal and external auditors to attend meetings.

Other senior executive and management and external advisors may be invited by the Committee to attend meetings as required. The Committee may request management and/or others to provide such input and advice as is required.

5.5 Access to information and advisors

The chair of the Committee is entitled to receive all reports between the external auditor and management, and the internal auditor and management prior to tabling at Committee meetings.

The Committee has the authority to:

- (a) require management or others to attend meetings and to provide any information or advice that the Committee requires;
- (b) access the Corporation's documents and records;
- (c) obtain the advice of special or independent counsel, accountants or other experts, without seeking approval of the Board or management; and
- (d) access management and internal and external auditors.

5.6 Agenda and documents

The chair will approve each meeting's agenda.

The corporation secretary will distribute the agenda and any related documents to all Committee members 7 days prior to each proposed meeting.

5.7 Minutes

Draft minutes will be prepared by the corporation secretary promptly following a meeting for review by the chair of the Committee and will then be made available to the Committee. The draft minutes will be tabled at the next Committee meeting for final review and approval.

5.8 Reporting to the Board

The chair of the Committee, or delegate, will report to the Board after each Committee meeting about the Committee's activities and any recommendations made by the Committee to the Board. Minutes of Committee meetings will be included for noting in the papers for the next Board meeting after each Committee meeting.

6 Committee's performance evaluation

The Committee will self-assess its performance annually and report the results to the Board. In performing this review the Committee may consider performance collectively and individually. The performance evaluation will have regard to the extent to which it has met its responsibilities in terms of this charter.

The Committee's performance and membership will be formally reviewed by the Board at least once every three years.

7 Review and publication of charter

The Committee will review this Charter every three years. Any amendments to this Charter will be approved by resolution of the Board.

The charter is available on the Corporation's website and the key features are published in the Corporation's annual report.

Annexure – VFMC Internal Audit Charter

The Internal Audit Charter should be read in conjunction with the Audit Risk and Compliance Committee Charter. This Internal Audit Charter guides the activities of internal audit within the Victorian Funds Management Corporation (VFMC) and should be reviewed every three years by the Audit Risk & Compliance Committee. Internal Audit at VFMC is sourced externally.

Purpose and Role

The primary purpose of internal audit is to provide an independent and objective assurance designed to add value and improve VFMC's operations. It assists VFMC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit is a function to assist the Audit, Risk and Compliance Committee and senior management achieve sound managerial review and control over activities to ensure that these activities can be carried out effectively and efficiently. The function provides the Audit, Risk and Compliance Committee and senior management with:

- management orientated appraisals of the risks associated with operations and activities;
- independent advice on remedial action to improve the effectiveness and efficiency of control; and
- regular progress reports on Audit reviews.

Independence

The internal audit function has independent status within VFMC and for that purpose is performed by a third-party professional services firm expert in the delivery of internal audit assurance. As a function of this arrangement, the internal audit provider will have:

- direct access to the Audit, Risk and Compliance Committee of VFMC;
- no executive or managerial powers, authorities, functions or duties except those relating to the management of the internal audit function;
- shall not be involved in the day to day internal control and monitoring system in VFMC.

Authority

In accordance with the Audit, Risk and Compliance Committee Charter, internal audit shall:

- conduct audits in accordance with an approved internal audit program;
- at all reasonable times, have access to relevant information; and
- at all reasonable times have access to executive and staff.

Program

In consultation with the Chief Executive Officer and other senior executives, the duly appointed internal audit firm shall recommend a forward program of audits for approval by the Audit, Risk and Compliance Committee. The forward program and annual internal audit plan should include audits of business processes or business units likely to be vulnerable to Fraud, Corruption and Other Losses as those terms are defined in the Standing Directions of the Minister of Finance (as amended from time to time). The internal audit firm should also conduct a detailed review of VFMC's compliance with all requirements in the *Financial Management Act 1994*, the Standing Directions and Instructions of the Minister of Finance 2018 (as amended from time to time).

Audit programs shall be sufficiently comprehensive to ensure the effective and regular review of all aspects of VFMC's operations.

Activities

The internal auditor will report the results of audits to the relevant VFMC executive, Chief Executive Officer, Chief Risk Officer, and Chief Operating Officer. Such reports will be tabled at the next available meeting of the Audit, Risk and Compliance Committee.

Annually provide to the Audit, Risk and Compliance Committee an independent and objective assessment of the effectiveness and efficiency of VFMC's financial and internal control systems, reporting processes and activities.

Any report to the Audit, Risk and Compliance Committee should be inclusive of management comment.

Internal audit shall appraise the control and risk management practices of VFMC in discharging the functions and duties conferred upon it and to this end may:

- review control and risk management systems and operations to assess the extent to which these are effective, efficient and economical in assisting VFMC to achieve its objectives;
- assess the relevance, reliability, timeliness and adequacy of management data;
- ascertain the extent of compliance with established policies, plans and procedures;
- recommend improvements in procedures and systems;
- advise on appropriate systems of control and other operational matters; and
- identify any failure to take remedial action.

Relationships

Internal audit has an independent reporting status within VFMC. Internal audit reports to the Audit, Risk and Compliance Committee on the results of the completed audits and has access to the Board of VFMC if determined by the Chair of the Audit Risk and Compliance Committee.