



Audit and Risk Committee Charter

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1 Purpose and Authority

1.1 Purpose

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

1.2 Authority

The Committee is a committee of the board of the CEFC (**Board**) established in accordance with section 43 of the *Clean Energy Finance Corporation Act 2012* (Cth) (**CEFC Act**) and is authorised by the Board to assist it in fulfilling its statutory and regulatory responsibilities. It has the authority and power to exercise the responsibilities set out in this Charter and under any separate resolutions of the Board granted to it from time to time.

1.3 CEFC Group

The CEFC may from time to time and in accordance with the *Public Governance, Performance and Accountability Act 2013* (Cth) (**PGPA Act**), incorporate one or more subsidiaries to assist it in pursuing its statutory objectives under the CEFC Act. For the purposes of this Charter a reference to CEFC includes a reference to each of its wholly owned subsidiaries unless the context requires otherwise.

2 Role of the Committee

The role of the Committee is to assist the Board to discharge its responsibilities under the CEFC Act and the PGPA Act in respect of financial reporting, performance reporting, risk oversight and management, internal control and compliance with relevant laws, including oversight of:

- (a) the integrity of the CEFC external financial reporting and financial statements
- (b) the appropriateness of the CEFC performance reporting
- (c) the effectiveness of the CEFC system of risk management, internal controls and compliance function
- (d) the appointment, remuneration, independence and competence of the CEFC's internal auditors (if any)
- (e) the performance of the internal and external audit functions and review of their audits.

3 Audit and Risk responsibilities

3.1 External reporting

The Committee is responsible for:

- (a) reviewing the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports
- (b) overseeing the preparation of financial reports and reviewing the results of external audits of these reports including whether the Annual Report of the CEFC required under Division 6 of the PGPA Act is prepared in accordance with any requirements prescribed by the rules established by the Finance Minister in the *Public Governance, Performance and Accountability Rule 2014* (Cth) (**PGPA Rules**)
- (c) assessing significant estimates and judgments in financial reports by examining the processes used to derive material estimates and judgments and seeking verification of those estimates from internal and external auditors
- (d) reviewing management's processes for ensuring and monitoring compliance with laws, regulations, recommendations in Parliamentary committee reports and other requirements

relating to the preparation of accounts and external reporting by the CEFC of financial information

- (e) reviewing material documents and reports prepared for lodgement with regulators, assessing their impact on the CEFC and making recommendations to the Board on their approval or amendment
- (f) ensuring that a comprehensive process is established to capture issues for the purpose of meeting the CEFC's obligations including under the PGPA Act and an Australian Financial Services Licence (**AFSL**) (where applicable)
- (g) assessing information from internal and external auditors that affects the quality of financial reports
- (h) reviewing, in conjunction with the CEFC's legal advisors, any legal matters that could have a significant impact on the CEFC's financial statements
- (i) asking the external auditor for an independent judgment about the appropriateness of the accounting principles used and the clarity of financial disclosure practices used by the CEFC
- (j) assessing any proposed change in accounting practices and policies
- (k) recommending to the Board whether the financial statements should be signed based on the Committee's assessment of them.

3.2 External audit

The Committee is responsible for:

- (a) agreeing the terms of engagement of the external auditor before the start of each audit
- (b) reviewing the external auditor's fee and being satisfied that an effective, comprehensive and complete audit can be conducted for the external auditor's set fee
- (c) monitoring the effectiveness and independence of the external auditor, and periodically assessing their performance
- (d) reviewing the external auditor's independence based on the external auditor's relationships and services with the CEFC and other organisations
- (e) assessing whether the external auditor's provision of non-audit services impairs or appears to impair their judgment or independence and, if required, developing policies for Board approval to manage the risk that this occurs
- (f) reviewing the external auditor's audit scope and audit approach, including identified risk areas and any additional procedures, with the external auditor on a periodic basis and in light of changes in the CEFC's circumstances or changes in regulatory and other requirements
- (g) discussing with the external auditor any difficulties encountered in conducting the audit process, including restrictions on audit scope or access to information
- (h) raising with the external auditor any specific points of divergence with the CEFC's management
- (i) monitoring and examining management's response to the external auditor's findings and recommendations
- (j) reviewing all representation letters signed by management and ensuring all information provided is complete and appropriate
- (k) meeting with the external auditor without management present to discuss any matter that the auditor or Committee believe should be discussed privately, which shall occur not less than once per year

- (l) acting as a forum for communication between the Board, senior management and external auditors.

3.3 Internal audit

The Committee is responsible for:

- (a) determining whether the engagement or appointment of an internal auditor is appropriate, considering the size of the CEFC, the stage of its development, the complexity of transactions it may enter into, the sophistication of its internal control environment and the cost/benefit of an internal audit function
- (b) approving the appointment, terms of engagement and dismissal of the chief internal audit officer
- (c) overseeing the scope of the internal audit and having access to the internal audit function without management present
- (d) reviewing the internal auditor's role, responsibilities and resources
- (e) ensuring that the internal auditor reports directly to both the Chief Executive Officer or Chief Financial Officer and to the Committee
- (f) reviewing and approving the internal audit plan and work program and ensuring that it addresses areas warranting specific attention by the Committee and provides for appropriate co-ordination with the external auditor
- (g) evaluating the effectiveness and independence of the internal audit plan and work program and considering the implications of internal audit findings
- (h) evaluating management's responsiveness to the internal auditor's findings and recommendations
- (i) assessing the performance, effectiveness and objectivity of the internal audit function
- (j) overseeing the co-ordination of the internal auditor with the external auditor
- (k) reviewing significant internal audit findings and ensuring that recommendations made by the internal auditor are discussed and (where appropriate) acted upon in a timely manner
- (l) meeting with the internal auditor without management present to discuss any matter that the auditor or Committee believe should be discussed privately, which shall occur at or prior to each Committee meeting
- (m) acting as a forum for communication between the Board, senior management and internal auditors.

3.4 Compliance, internal control and risk management

The Committee is responsible for:

- (a) reviewing the risk profile which describes the material risks facing the CEFC including financial and non-financial matters
- (b) regularly reviewing and updating the risk profile
- (c) ensuring that the CEFC has an effective risk management system that is consistent with any relevant policy of the Commonwealth, including the PGPA Rules and any applicable financial services laws
- (d) ensuring that those individuals responsible for managing risk and compliance within the CEFC have direct access to the Committee Members

- (e) assessing and ensuring that there are internal processes for determining and managing key risk areas, such as:
 - (i) potential non-compliance with laws, regulations, standards and best practice guidelines including industrial relations, occupational health and safety and environmental laws
 - (ii) important judgments and accounting estimates
 - (iii) litigation and claims
 - (iv) fraud and theft
 - (v) relevant business risks not dealt with by other Board committees
 - (vi) potential non-compliance with the legal and regulatory obligations and requirements in respect of the AFSL
- (f) receiving reports concerning material and actual incidents within the risk areas above and ensuring that macro risks are reported to the Board at least annually
- (g) conducting investigations of breaches or potential breaches of internal controls, and incidents within the risk areas above, particularly in relation to accounts and financial reporting
- (h) examining and evaluating the effectiveness of the internal control system with management and internal and external auditors and overseeing improvements and the implementation of any internal control recommendations endorsed by the Committee
- (i) reviewing the process of developing and implementing the entity's fraud control arrangements and satisfying itself that the entity has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks
- (j) reviewing reports on fraud from management that outline any significant or systemic allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in the entity
- (k) encouraging voluntary reporting by employees to the internal auditor or the Committee of breaches of internal controls and CEFC policies, and incidents within the risk areas above
- (l) assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of risk
- (m) assessing processes for the management and exercise of delegations
- (n) approving amendments to the Procurement and Expenditure Delegations
- (o) reviewing any significant complaints related to matters overseen by the Committee
- (p) reviewing the adequacy and effectiveness of insurance coverage and information security infrastructure for the CEFC
- (q) satisfying itself that a sound approach has been followed in establishing the CEFC's business continuity planning arrangement, including whether business continuity and disaster recovery plans have been periodically updated and tested
- (r) meeting periodically with key management, internal and external auditors and compliance staff to understand the CEFC's control environment.

3.5 Performance reporting

The Committee is responsible for reviewing the entity's systems and procedures for assessing and reporting the achievement of the entity's performance. In particular, the Committee will satisfy itself that:

- (a) the entity's Portfolio Budget Statements and corporate plan include details of how the entity's performance will be measured and assessed
- (b) the entity's approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and Corporate Plan is sound, and has taken into account guidance issued by the Department of Finance
- (c) the entity has sound processes in place for the preparation of its annual Performance Statement and the inclusion of the Statement in its annual report
- (d) the entity's proposed Performance Statement is not inconsistent with the entity's financial information, including its financial statements, that it proposes to include in its Annual Report.

3.6 Related party transactions

The Committee is responsible for reviewing and monitoring the propriety of any related party transactions.

3.7 Ethical and lawful conduct

The Committee is responsible for consulting with the People and Culture Committee in relation to the CEFC Code of Conduct and Ethics as it relates to embedding a culture that promotes the proper (i.e. efficient, effective, economical and ethical) use and management of public resources.

4 CEFC Code of Conduct and Ethics

4.1 Code of Conduct and Ethics

Committee members will abide by the Board approved Code of Conduct and Ethics which helps Board and Committee members and employees of the CEFC to understand their responsibilities to uphold the goals and values to which the CEFC aspires and to conduct business in accordance with applicable laws and regulations.

4.2 Conflicts of interest

A Committee member must, in accordance with the PGPA Act, give the other Committee members notice of any material personal interest in a matter that relates to the affairs of the CEFC.

A Committee member who has a material personal interest in a matter that is being considered at a Committee meeting must, in accordance with the PGPA Act, not be present while that matter is being considered at the meeting or vote on the matter unless the non-interested members approve the interested director to vote and be present.

In meeting its obligations with respect to any material personal interests and conflicts of interest each Committee member must also have regard to the requirements and obligations imposed in respect of the AFSL including under the Corporations Act where relevant.

4.3 Liaising with the People and Culture Committee

The Committee will liaise with the People and Culture Committee in relation to the CEFC's remuneration related reporting in the financial statements Annual Report and any other financial reports required under the PGPA Act, the CEFC Act or any applicable financial services laws.

5 Committee Membership

5.1 Composition of the Committee

The Committee will consist of at least three members and as otherwise specified by the PGPA Rules.

Membership is reviewed periodically and re-appointment to the Committee is not automatic. Appointments and resignations are decided by the Board.

5.2 Chair

The chair of the Committee must be a person other than the chair of the Board or the CEO of the CEFC.

The chair of the Committee is appointed by the Board and must preside at all meetings at which he or she is present. If the chair of the Committee is not present at a Committee meeting, the other members present must appoint one of themselves to preside.

5.3 Secretary

The Committee will appoint a person as the Committee Secretary.

5.4 Technical expertise

The Committee must be structured so that members have the appropriate qualifications, knowledge, skills and experience to assist the committee to perform its functions, including:

- (a) all members are financially literate, that is, are able to read and understand financial statements
- (b) at least one member has financial expertise, that is, is an accountant or financial professional with experience of financial and accounting matters.

6 Committee meetings and process

6.1 Convening meetings

The Committee will meet as frequently as required to undertake its role effectively.

The chair is vested with the authority to call meetings of the Committee and must call a meeting if requested by any member of the Committee, the chair of the Board, the external auditor, the internal auditor or those individuals responsible for the management of risk and compliance within the CEFC.

6.2 Quorum

Two members constitute a quorum for meetings of the Committee provided there are no more than four members of the Committee.

The majority of the Committee constitute a quorum for meetings of the Committee if there are more than four members of the Committee.

6.3 Attendance by the Executive Team and advisors

A standing invitation will be issued to the internal and external auditors and the individuals responsible for the management of risk and compliance within the CEFC to attend all or part of any meeting of the Committee, subject to exclusion from all or any part of the meeting as deemed appropriate by the chair of the Committee from time to time.

The Committee chair may also invite members of the Executive Team and external advisors to attend all or part of any meeting of the Committee, subject to exclusion from all or any part of the meeting as deemed appropriate by the chair of the Committee from time to time.

Any Board member who is not a member of the Committee will have a standing invitation to attend meetings of the Committee.

Committee members (and invitees) may participate in meetings by telephone or any other means of communication. A Committee member who participates in such a way is taken to be present at the meeting and to form part of any quorum for the meeting.

6.4 Agenda and documents

The chair of the Committee will determine the meeting agenda after consultation with the Chief Risk Office and the Chief Financial Officer.

The Committee Secretary will distribute the agenda and any related documents to all Committee members and other attendees before each proposed meeting.

6.5 Access to information and personnel

The chair of the Committee will receive copies of all reports between the external auditor and management, and the internal auditor and management.

The Committee has the authority to:

- (a) seek information it requires from management, a CEFC employee or consultant and request that such a person attend meetings to provide any information or advice that the Committee requires
- (b) access CEFC documents and records
- (c) initiate special investigations if deemed necessary
- (d) access management, internal and external auditors and those individuals responsible for the management of risk and compliance within the CEFC.

6.6 Minutes

The Committee Secretary will be responsible for taking minutes at the meeting and will maintain a minute book to record the proceedings and resolutions of the Committee's meetings.

The chair of the Committee, or delegate, will report to the Board after each Committee meeting and make appropriate recommendations to the Board for decision.

6.7 Circular resolutions

The Committee may consider and make a decision on any matter without a meeting if all of the Committee members entitled to vote on the proposed decision are provided with the proposed resolution and a simple majority of those Committee members entitled to vote (**Majority**) sign a document containing a statement that they are in favour of the resolution set out in the document. The document may be signed in counterparts (including by electronic means) and the resolution is passed when the last Committee member entitled to vote that constitutes a Majority signs the document.

If a decision is made in accordance with the above procedure, the Committee is taken to have made a decision at a meeting.

The Committee must notify all Committee members following a resolution being passed and keep a record of all decisions made without a meeting.

6.8 Access to advisers

Each member of the Committee may engage counsel, accountants and/or other experts, at the expense of the CEFC, as it considers appropriate to assist the Committee discharge its duties and responsibilities. Any member of the Committee seeking external advice must consult with the Chair of the Board, CEO and/or Company Secretary who will facilitate obtaining that external advice. The policy of the Board and the Committee is that external advice will be made available to all members of the Board and Committee, unless the Chair of the Board determines otherwise.

7 Committee performance evaluation

The Board will review the performance of the Committee from time to time as it deems appropriate, but in any event no less than biennially.

The Board will periodically review this Charter and approve any amendments as it considers appropriate.