

# Audit, Risk and Compliance Committee Charter

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Powering a  
Bright Future

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# 1 Introduction

The Board of Directors (the **Board**) of Tasmanian Networks Pty Ltd (**TasNetworks**) authorises the Audit, Risk and Compliance Committee (the **Committee**) under clause 30 of TasNetworks' Constitution and within its scope of responsibilities, to perform the activities identified within this Charter.

This Charter sets out the role, responsibilities, composition and operation of the Committee.

## 2 Role

The role of the Committee is to assist the Board to discharge its governance responsibilities in relation to:

- reporting financial information to users of financial reports
- application of accounting policies
- financial management, including prudence and controls
- risk management
- the internal control system
- audit processes
- the company's financial performance management system
- business policies and practices
- protection of the company's assets
- compliance with applicable laws, regulations, standards and best practice guidelines, and
- TasNetworks' approach, including obligations under the National Electricity (Tasmania) Law (NEL) and the National Electricity Rules (NER), for the reset of the regulated transmission and distribution revenues.

The Committee is not a policy-making body but assists the Board by implementing Board policy.

## 3 Responsibilities

The Committee has responsibilities in relation to:

- Risk management, fraud and internal control
- Compliance culture, transparency and ethics
- Internal audit
- External audit
- Financial and corporate reporting
- The approach for Transmission revenue and Distribution regulatory resets, including regulatory obligations.

The Committee is not a policy-making body but assists the Board by monitoring the implementation of Board policies.

### **3.1 Risk management and internal control**

Risk management incorporates the culture, processes and structure directed towards taking advantage of potential opportunities while managing potential adverse effects. While the Board retains overall responsibility for risk management and internal control, it delegates the following responsibilities to the Committee:

- 3.1.1 Monitor the effectiveness of the Risk Management Framework and its components, including risk management culture and maturity, processes for identifying risks and the appropriateness of procedures to maintain activities within the Board's risk appetite
- 3.1.2 Oversee Management's response to all risks that the business is exposed to that are outside appetite
- 3.1.3 Report to the Board on the Biannual Risk Review and matters that materially impact TasNetworks' risk profile including changing and emerging risks due to changes in the economic and business environment. (Refer to the Risk Management Framework for Review purpose and criteria)
- 3.1.4 Consider the adequacy and effectiveness of the internal controls by reviewing reports from Management, internal audit and external audit, and by monitoring Management responses and actions to correct any noted deficiencies
- 3.1.5 Review disclosures in the annual corporate governance statement in relation to the recognition and management of business risks
- 3.1.6 Understand the process Management has implemented for managing insurable risks and, if applicable, self-insurance, including assessing the adequacy of insurance cover
- 3.1.7 Review the effectiveness of business continuity planning and be satisfied that material risks are identified and appropriate business continuity plans are in place.

### **3.2 Fraud and corruption**

- 3.2.1 Monitor and review the effectiveness of Management's Fraud and Corruption Control Policy and related Plan. Ensure fraud risks have been included in the assessment of the risk profile of TasNetworks
- 3.2.2 Enquire of Management, the Internal Auditor and the external auditor regarding their assessments of the risk of material misstatement in the financial report due to fraud, including the nature, extent and frequency of such assessments
- 3.2.3 Enquire of Management, the Internal Auditor and the external auditor whether they are aware of any actual, suspected or alleged fraud affecting TasNetworks and how they responded to such instances, including any changes made to the internal control environment
- 3.2.4 Obtain representations from Management that all known instances of actual, suspected or alleged fraud, have been disclosed to the Committee
- 3.2.5 Report to the Board any material fraud and corruption incidents and ensure there are effective processes in place to report all other material incidents including safety incidents
- 3.2.6 Monitor TasNetworks' fulfilment of its fraud reporting obligations, as applicable
- 3.2.7 Understand and consider the effectiveness of the internal control systems implemented by

Management for the approval of transactions, the recording and processing of financial data, and ensuring that financial statements comply with relevant standards and requirements, and are subject to appropriate Management review

- 3.2.8 Understand and consider the effectiveness of the internal control systems implemented by Management for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown, or to protect against computer fraud or misuse
- 3.2.9 Understand the scope of internal and external auditors' review of internal control and obtain reports on significant findings and recommendations, together with Management's responses.

### **3.3 Compliance culture, transparency and ethics**

- 3.3.1 Monitor the effectiveness of the Compliance Framework and its components, including compliance culture and maturity, processes for identifying and monitoring compliance with laws, regulations, internal policies and industry standards, and the appropriateness of procedures to maintain activities within the Board's risk appetite.
- 3.3.2 Obtain regular updates from Management and the Head of Business Governance about compliance matters that may have a material impact on TasNetworks' financial statements, strategy, operations or reputation, including material breaches of laws, regulations, standards and company policies
- 3.3.3 Review and liaise with Management and/or regulators, as appropriate about the findings of any examinations by regulatory agencies, and any auditor observations
- 3.3.4 Review, and where applicable, endorse the policies, processes and framework for identifying, analysing and addressing non-compliances (including whistleblower).
- 3.3.5 Review significant non-compliances, their resolution and Management's identification and treatment of systemic events
- 3.3.6 Guide the effectiveness of TasNetworks Policy Framework and how it promotes compliance, a compliance culture (including transparency by reviewing how policies and procedures are developed, approved, communicated and reviewed
- 3.3.7 Review the efficacy of the process for communicating the Code of Conduct to employees and contractors, and for monitoring compliance with the Code
- 3.3.8 Discuss with Management whether all regulatory compliance matters for TasNetworks have been considered in the preparation of the financial statements, such as compliance with accounting standards and the requirement for the financial statements to reflect a 'true and fair' view, including review and monitoring of related party transactions.

### **3.4 Internal audit**

- 3.4.1 Review with Management, and make recommendations to the Board on, the appointment, remuneration, effectiveness, independence and organisational structure of internal audit
- 3.4.2 Review and recommend to the Board approval of the strategic internal audit plan and work program
- 3.4.3 Review and endorse the Internal Audit Charter

- 3.4.4 Review the internal audit structure, independence and access to senior Management, the Committee and the Board
- 3.4.5 Review the scope of the internal audit plan and assess whether it addresses the material business risks and that there is appropriate coordination with the external auditor
- 3.4.6 Monitor the progress of the internal audit plan and work program and Management's implementation of the findings and recommendations of the internal audit activity
- 3.4.7 Review reports of results of internal audit engagements, audit-related activities, team capability, audit performance and other important matters
- 3.4.8 Enquire of the Head of Business Governance to determine any scope or budget limitations that may impede the execution of internal audit responsibilities
- 3.4.9 Ensure the Internal Auditor has direct access to the Board Chair and to the Committee Chair, providing independence from the executive and accountability to the Committee
- 3.4.10 Without Management being present, meet periodically with the Internal Auditor to discuss matters that the Committee or Internal Auditor believes should be discussed privately.

### **3.5 External audit**

In the context of the appointment or discharge of auditors, it is noted that clause 35 of TasNetworks' Constitution requires the accounts of TasNetworks to be reported upon and audited by the Auditor-General for Tasmania.

- 3.5.1 Review the external auditor's proposed audit scope and approach for the current year, in light of TasNetworks' circumstances and changes in regulatory, material risks and financial reporting requirements
- 3.5.2 Monitor and review the independence of the external auditor and any potential conflicts of interest
- 3.5.3 Discuss with the external auditor matters relating to the conduct of the audit, including any difficulties encountered in the audit, including any restriction on the audit scope, access to information and any significant resolved or unresolved disagreements with Management and the adequacy of Management response
- 3.5.4 Discuss with the external auditor the appropriateness of the accounting policies applied by Management in TasNetworks' financial reports
- 3.5.5 Meet separately with the external auditor to discuss any matters that the Committee or auditor believe should be discussed privately (without Management present)
- 3.5.6 Be informed regarding the scope of any proposed performance or compliance audits initiated by the external auditor and consider any draft report

### **3.6 Revenue reset**

The Committee has responsibility to monitor, review and endorse TasNetworks' approach, including obligations under the National Electricity (Tasmania) Law (NEL) and the National Electricity Rules (NER), for the reset of the regulated transmission and distribution revenues.

- 3.6.1 Review the draft and final expenditure and revenue forecasts
- 3.6.2 Obtain advice on strategic matters affecting those forecasts
- 3.6.3 Review the progress or outcomes of stakeholder engagement
- 3.6.4 Review the draft and final versions of the combined transmission revenue and distribution regulatory proposals and distribution tariff structure statement.

### **3.7 Financial and corporate reporting**

- 3.7.1 Review the half-year (if relevant) and annual financial statements presented by Management, together with reports and opinions from the external auditor
- 3.7.2 Gain an understanding of the current areas of greatest financial risk and how they are managed
- 3.7.3 Review significant accounting and reporting issues, and assess the appropriateness of accounting policies and methods chosen by Management, particularly those relating to significant accounting estimates and judgements and the assessment of going concern
- 3.7.4 Review recent regulatory and professional pronouncements and understand their impact on the financial statements
- 3.7.5 Meet with Management and the external auditor to review the financial statements, Regulatory Information Notices, key accounting policies, the results of the audit (including significant adjustments), unadjusted differences and any difficulties encountered or unresolved disagreements with Management
- 3.7.6 Review Management representations, including the CEO and Executive Finance declarations regarding the financial report and financial records
- 3.7.7 Based on its review of the financial statements, noted disclosures and other information, provide a recommendation to the Board whether the financial report and Regulatory Information Notices should be approved
- 3.7.8 Review the results of the audit with the external auditor, including significant adjustments, uncorrected misstatements and any difficulties encountered or unresolved disagreements with Management
- 3.7.9 Review the appropriateness of disclosures in the financial statements and financial reporting to stakeholders, particularly with regards to estimates and judgements
- 3.7.10 Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information, and whether the information is understandable and consistent with members knowledge about TasNetworks and its operations, and is unbiased
- 3.7.11 Review with Management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards.
- 3.7.12 The Committee can authorise the Executive Finance, Executive Stakeholder or Executive Governance to undertake tasks to assist the Committee to carry out its functions.

## 4 Reporting responsibilities

- Following each Committee meeting, the Chair will report to the Board about Committee activities, issues, and related recommendations. The manner of the reporting may include supplementing distribution of the minutes with other necessary information, including recommendations requiring Board action or approval
- In conjunction with the Executive Governance and Head of Business Governance, prepare any reports requested by the Board such as a report on the Committee's responsibilities and activities to be included in the corporate governance section of the annual report, as per requirements under the Corporations Act 2001.

## 5 Other responsibilities

- Perform other activities related to this Charter as requested by the Board of directors
- Review and assess the adequacy of the Committee Charter biennially, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

## 6 Authority

The Committee has no executive power and must refer to the Board any matters requiring approval or action by the Board. Any matter referred to the Board should be accompanied by a recommendation.

The Board authorises the Committee, through the Chair, to:

- Recommend the scope and terms of appointment of, and oversee the work of the external auditor
- Resolve any disagreements between Management and the external auditor on financial reporting
- Pre-approve all auditing and non-audit services
- Retain independent counsel, accountants or others to advise the Committee or assist in the conduct of an investigation
- Seek any information it requires from employees, who are directed to co-operate with the Committee's requests, or from external parties.

## 7 Composition and Term

The Committee will consist of a minimum of two non-executive members of the Board.

Members and the Committee Chair will be appointed by the Board. Membership of the Committee will be reviewed annually and confirmed by the Board in June. Members are eligible for reappointment.

Each Committee member will be independent and financially literate. At least one member of the Committee will have relevant qualifications and experience (such as being a qualified accountant holding a current accounting qualification (CPA or CA) or having other financial expertise).

In the event of a casual vacancy on the Committee, the Board may appoint a replacement member to hold office until the following 30 June.



## 8 Operation

### 8.1 Chair

The Chair of the Committee must be independent and not also the Chair of the Board. The Chair will carry out the following responsibilities:

- Promote effective communications between the Committee, the Board, Management and the external auditor.
- Manage Committee meetings so that they run smoothly, that the views of all Committee members are heard, that adequate time is allowed for discussion of each issue and that the agenda, meeting papers and minutes properly reflect proceedings.

### 8.2 Invitees

Typically the Chief Executive Officer, Executive Finance, Head of Business Governance, Executive Governance, Executive Stakeholder, Head of Regulation and TasNetworks' internal and external auditors, as relevant, will be given notice of meetings and invited to attend. However, the Committee may meet in private if it considers it appropriate.

- Other non-executive directors are entitled to attend meetings
- The Committee may ask Management to present on issues relevant to the Committee's duties and responsibilities
- The Committee may invite other people to attend as it sees fit and consult with other people or seek any information it considers necessary to fulfil its responsibilities. Such invitation may be for the whole or a part or parts of a meeting
- The members will meet privately with Head of Business Governance, Audit Specialist, External Auditor, and Executive Governance at least annually. There shall be direct access between the Head of Business Governance, the Audit Specialist and the Committee Chair.

### 8.3 Secretariat duties

- The Executive Governance, or a delegate of the Executive Governance, will act as the secretary to the Committee.
- Under normal circumstances, a notice of each meeting confirming the date, time, venue and agenda will be forwarded to each member of the Committee at least one week prior to the date of the meeting. The notice for members will include relevant supporting papers for the agenda items to be discussed.
- Meeting agendas will be prepared by the Head of Business Governance and the Secretary, in conjunction with the Chair, the Executive Finance, Head of Regulation and Executive Stakeholder.
- The Secretary will distribute agendas, papers and minutes.

### 8.4 Meetings

- Proceedings and meetings of the Committee will be governed by the provisions of TasNetworks' Constitution for regulating the meetings and proceedings of the Board in so far as they are applicable and not inconsistent with this Charter
- The Committee will meet at least four times a year and additionally as the Committee considers necessary at appropriate points in the audit and revenue reset cycle. All Committee members are expected to attend each meeting in person or via tele-conference or video conference
- A quorum will be two members. In the Chair's absence from a meeting, the members present will

- elect a Chair for that particular meeting
- The Chair must call a meeting of the Committee within 21 days if so requested by any Committee member or the Chair of the Board
- Resolutions of the Committee may be passed without a meeting. The Committee prefers that this option is a last resort and used only when an alternative form of meeting is not possible. While the outcome of a circulating resolution will be advised to all Directors as soon as it is finalised, it will also be recorded in the minutes at the next Committee meeting
- At the conclusion of each Committee meeting, a brief critique and meeting evaluation on the quantity, quality and presentation of information that was provided to members and proceedings of the meetings will be made by the Committee.

## **8.5 Conflicts of Interest**

- Committee members will be invited to disclose conflicts of interest at the commencement of each meeting.
- Ongoing conflicts of interest need not be disclosed at each meeting once acknowledged.
- Where members or invitees are deemed to have a real or perceived conflict of interest, they will not be present for Committee discussions on the issues where a conflict exists.

## **8.6 Voting**

Any matters requiring decision which cannot be decided by consensus will be decided by a majority of votes of Committee members present.

## **8.7 Access to advice**

- The Committee is authorised to obtain independent professional advice as necessary, including securing the attendance of outsiders with relevant experience and expertise.
- The Committee may meet with external advisers without Management being present.
- The CEO, Executive Governance, Executive Finance, Head of Business Governance and Audit Specialist each have direct access to the Committee Chair to report matters of immediate concern within their respective area of responsibility.
- Additionally, the Head of Business Governance and the Audit Specialist each have direct access to the Committee Chair if an internal matter of material significance is not adequately dealt with and despite the best efforts of the responsible leader to have it addressed. If the need for this direct access arises, the provisions of the Whistleblower Policy preventing disclosers from detrimental action or reprisals may be invoked.

## **8.8 Minutes**

- The Secretary will record minutes of proceedings and resolutions of Committee meetings.
- Minutes will be prepared by the Secretary, approved by the Chair of the Committee and circulated to members within one week of a meeting.
- The minutes must be ratified by the members present at the meeting, signed by the Chair at the next Committee Meeting, and included in the Board papers for the following Board meeting.
- The agenda and supporting papers will be made available to any director upon request to the secretary.

## 8.9 Review of performance

The Committee will review its performance on an annual basis.

- Develop an appropriate process for performance assessment of the Committee and individual members.
- The review may be conducted as a self-assessment and will be coordinated by the Chair. The assessment may seek input from any person.
- Assess the Committee’s achievement of responsibilities specified in this Charter and report the findings to the Board.
- Training needs will be monitored by the Chair.

## 9 References

- *Audit Committees: A Guide to Good Practice* – Auditing and Assurance Standards Board, Australian Institute of Company Directors, and Institute of Internal Auditors Australia (2012)
- *Sample Audit Committee Charter* – Australian Institute of Company Directors.

## 10 Definitions

Term	Definition
Constitution	Memorandum of Association and Articles of Association
Internal Auditor	Reference to Internal Auditor in the context of this Charter means both the ‘Head of Business Governance’ and the ‘Co-Sourced Internal Audit Provider’.

## 11 Contact for Enquiries

**Peter Stuckey**

Executive Governance

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Head of Business Governance

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All Team Members will have access to this Charter and underpinning policies on The Zone. Support and further information is available from your Leader or People Partner.

## 12 Administration of this Policy

This Policy is administered by the Executive Governance and will be reviewed on a biennial basis (every 2 years) and updated where applicable.

Authorisation		
Action	Name	Date
<b>Prepared by (Reviewer)</b>	Sarah Pidgeon, Executive Assistant to Company Secretary and General Counsel	2 June 2014
<b>Reviewed by (Owner)</b>	Phillippa Bartlett, Company Secretary and General Counsel	5 June 2014
<b>Authorised by</b>	Lance Balcombe, CEO and Board	20 June 2014

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5 June 2014	0.1	Version issued for authorisation		
25 June 2014	1.0	Revised version issued with Board requested amendments		
24 June 2015	1.1	Revised version issued for authorisation		Audit and Compliance Committee
25 June 2015	2.0	Revised version approved by Board		Board
24 June 2016	2.1	Revised version endorsed by Audit and Compliance Committee	S. Pidgeon	Audit and Compliance Committee
28 July 2016	3.0	Revised version approved by Board	S. Pidgeon	Board
16 December 2016	4.0	Revised version approved by Board	CS&GC	Board
7 June 2018	4.1	Revised version for Committee endorsement	S. Pidgeon	Audit and Compliance Committee
26 July 2018	5.0	Revised version approved by Board	S. Pidgeon	Board
23 September 2020	5.1	Revised version for Committee endorsement	S. Pidgeon / P. McTaggart	Audit and Compliance Committee
29 October 2020	6.0	Revised version for Board approval	S. Pidgeon / P. McTaggart	Board

16 February 2022	6.1	Revision to include Revenue Reset duties	P. McTaggart / Don Woodrow	Audit and Compliance Committee (OOS)
24 February 2022	7.0	Revised version for Board approval	S. Pidgeon / P. McTaggart	Board
30 March 2023	7.1	Revision and change of Committee name for Committee endorsement	S. Pidgeon / H. Craig / K. Hansson	Audit and Compliance Committee
27 July 2023	8.0	Revision with inclusions from Committee meeting (June 2023)	H. Craig / K. Hansson	Board