

**AUSTRALIAN FORESTRY STANDARD LIMITED**

# **CORPORATE MANAGEMENT PROCESS PROCEDURE 02**

**AFSL MANAGEMENT**

---

## **AUDIT AND RISK COMMITTEE CHARTER**

July 09



[Australian Forestry Standard Limited is a not-for-profit public company registered in July 2003. The company owns the standard development functions and manages the elements of the **Australian Forest Certification Scheme** ]

**Intentionally Blank**

## AUDIT AND RISK COMMITTEE CHARTER

### 1. PURPOSE

The purpose of the Charter is to outline the responsibility, membership and meeting protocol for the Audit and Risk Committee.

### 2. SCOPE

The Committee's primary objective is to assist the Board in fulfilling its responsibilities by focusing on risk management, financial and reporting issues. In addition, the Audit and Risk Committee will monitor the company's compliance with the relevant legislation and regulations as well as assisting the Board to ensure Company activities are consistent with the Company's strategic intent and its financial capabilities.

### 3. DUTIES AND RESPONSIBILITIES

The following are the key duties and responsibilities of the Committee:

#### 3.1. Management and financial reporting

- 3.1.1. Monitor the adequacy and effectiveness of the company's administrative, operating and accounting policies through active communication with operating management.
- 3.1.2. Monitor the adequacy of the company's accounting and administration control system by reviewing written reports from the external auditor, Board directives and monitor management's response and actions to correct any noted deficiencies.
- 3.1.3. Identify areas of shortfall in the company's financial and governance capability and recommend ways of overcoming this to the Board.
- 3.1.4. Review and provide comments to the Board on the draft annual financial reports.
- 3.1.5. Meet with the Company's auditor in relation to the annual financial statements and report to the Board as soon as practicable on any issues raised.

#### 3.2. Compliance with laws and regulations

- 3.2.1. Assess on a continuing basis whether the Company is conducting its affairs efficiently and in accordance with all relevant legislation and policies. This includes but is not limited to financial, administrative and resource use matters.

#### 3.3. Maintenance of an effective audit function

- 3.3.1. Oversee and appraise the quality of the audits conducted by the external auditor and other external resources.
- 3.3.2. Report to the Board on the adequacy of audit procedures.
- 3.3.3. Meet with the Company's auditor on at least an annual basis.
- 3.3.4. Commission internal audits if deemed necessary.

---

**3.4. Ensure a suitable risk management and internal control framework**

- 3.4.1. Oversee the risk management planning and implementation within the Company.
- 3.4.2. Assess and report on the adequacy of risk assessment processes and measures to minimise and manage risk exposures.
- 3.4.3. Review the adequacy of internal controls and of compliance with significant policies and procedures.
- 3.4.4. Continually monitor the company's exposure to fraud and risks in general. In doing so the Committee may look at ethical policies and codes of conduct as well as unusual or significant financial transactions.

## **4. COMMUNICATION**

- 4.1. Act as an advisory body on the adequacy of the Company's administrative, operating and accounting controls.
- 4.2. Liaise with the CEO, finance staff and external/internal auditors.
- 4.3. Require reports from management and/or the external auditor on any significant proposed regulatory, accounting or reporting issue, to assess the potential impact upon the Company's financial reporting process.
- 4.4. Require reports from management with which to assess the quality and quantity of the work performed.
- 4.5. Prepare an annual report, a copy of which will be provided to the Board to note, summarising the work performed by the committee to fully discharge its duties.
- 4.6. Identify and recommend any special projects or investigations deemed necessary; and
- 4.7. Deal with such matters relating to the audit function as may arise from time to time.

## **5. COMPOSITION**

- 5.1. The Audit Committee shall consist of three non-executive Directors, one of whom shall be appointed by the Board as Chair.
- 5.2. The CEO, although not a member, shall attend all meetings unless determined otherwise by the Chair of the Committee, or excused by the committee.
- 5.3. The Board Chair cannot be appointed to the Audit Committee but can attend meetings as an 'ex officio' member of the Audit Committee.
- 5.4. The Board can appoint an external expert to the Audit and Risk Committee if it wishes.

## **6. QUORUM**

A quorum shall be the Committee Chair and at least one non- executive director.

---

## 7. MEETINGS

- 7.1. The Committee will hold such meetings as the chair of the Audit and Risk Committee shall decide in order to fulfil the Committee's duties, but shall meet no less than twice each financial year. In addition, the Chair is required to call a meeting of the Committee if requested to do so by any committee member, the external auditor or Board.
- 7.2. A special meeting, where necessary, will be held to consider the adoption of the draft annual financial statements prior to their presentation to the external auditor for audit.
- 7.3. The CEO shall be responsible for :
  - 7.3.1. circulating the meeting agenda and associated documentation, to Committee members prior to each meeting.
  - 7.3.2. keeping the minutes of meetings of the committee and circulating them to Committee members within 10 days of the Meeting.
- 7.4. The Audit and Risk committee may at times discuss matters that are of a sensitive nature. In such circumstances the committee will observe all expected courtesies, confidentiality and statutory obligations while carrying out their responsibilities. The minutes of the meetings where items of a confidential nature are discussed shall be denoted as such.

## 8. ACCESS AND REPORTING

- 8.1. The Audit and Risk Committee will have unhindered freedom to fulfil its duties properly and professionally.
- 8.2. The Committee shall have unlimited access to staff, external auditor and documentation. The Committee may also consult independent experts at the company's expense, where it is considered necessary, in carrying out its duties.
- 8.3. The Committee shall make known to the Board as soon as possible any matters requiring Board attention including issues which are in conflict with or likely to impact negatively on the goals and objectives of the Company.
- 8.4. The Committee shall supply the Board with a copy of its reports on a timely basis.

## 9. COMMITMENT TO CONTINUOUS IMPROVEMENT

- 9.1. The charter of the Audit Committee will be approved by the Board to provide it with the level of authority required to discharge its duties.
- 9.2. The charter will be reviewed on a regular basis, and at least annually, for ongoing relevance and consistency with the needs of the company.