

SEC Audit and Risk Committee Charter



1 Purpose

The Boards of SEC Victoria Pty Ltd, SEC Energy Pty Ltd, and SEC Infrastructure Pty Ltd (collectively, the Board) have established an Audit and Risk Committee for each entity, as standing committees to assist the Board with its financial, audit, risk, control, and compliance responsibilities in relation to the SEC.

This Charter sets out the role, responsibilities and operating protocols for each of the Audit and Risk Committees (collectively the Committee).

2 Role and responsibilities

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

- financial management, systems and controls
- risk management
- internal and external audit functions
- insurance, internal controls, and legal and regulatory compliance

In carrying out its role, the Committee has authority from the Board to review and consider any matter within the scope of this Charter and make recommendations to the Board in relation to the outcomes. Any authority of the Committee will be by delegation from the SEC Board.

The Committee has responsibility for:

Financial management, information and systems

- Monitor financial management, sustainability and solvency.
- Monitor the effectiveness and integrity of financial systems and controls.
- Review annual financial statements and make a recommendation on approval to the Board.

Risk management

- Review the Risk Management Framework and risk appetites at least annually and make recommendations on approval to the Board.
- Monitor the effectiveness and application of the SEC Risk Management Framework.
- Monitor actual and emerging strategic, business, financial, reputational, operational, legal and compliance risk exposures.
- Oversee the assessment, monitoring and management of risks rated high or above.

Internal audit

- Review and approve the internal audit charter¹, strategic internal audit plan², and annual audit work program.
- Review the effectiveness of the internal audit and assurance framework and function.
- Review internal audit reports and advise the Board on significant and remedial actions.
- Monitor management progress against internal audit findings and recommendations.

¹ Standing Direction 3.2.1.1(b)(i)

² Standing Direction 3.2.1.1(b)(ii)

External audit

- Act as a forum for communication between the Board, management and the Victorian Auditor-General's Office (VAGO).
- Meet with VAGO to review and discuss the scope of the audit, identified risk areas, and the audit plan.
- Review the annual audit plan and budget and make recommendations to the Board on acceptance.
- Monitor SEC response and progress against VAGO audit findings and recommendations.

Legal and regulatory compliance and licensing

- Monitor SEC compliance with the Financial Management Act 1994 (Vic) and Standing Directions 2018.
- Monitor annual compliance reporting in relation to AFSL and ESC licence obligations.
- Satisfy itself that the system for monitoring compliance with relevant laws, regulations and associated government policies is effective.
- Monitor any material breaches of regulatory compliance and contractual obligations;
- Review results of regulatory audits and monitor any remedial action required.

Business continuity planning, disaster recovery and resilience

- Reviewing the effectiveness and currency of the SEC business continuity, disaster management and resilience planning.

Policy implementation and review

- Monitoring implementation of SEC organisational policy and the Policy Review Programme.

Privacy, information and cyber security

- Oversight of the key strategies, systems and policies relating to information and cybersecurity.
- Oversight of the key strategies, systems and policies relating to privacy.
- Monitoring reporting on significant privacy and information breaches.

Insurance

- Review the insurance program annually.

Integrity

- Monitor reporting on significant integrity breaches.
- Ensure that effective systems and controls are in place for managing conflicts of interest.

Management retains responsibility for the implementation and operation of adequate risk assurance, internal control and audit systems within the SEC.

3 Committee composition and skills

The membership of the committee will be no fewer than three directors, including the Committee Chair.

The Board is responsible for the appointment of Committee Chair and members. The Committee Chair cannot be the Chair of the SEC Board.

At least one Committee member, preferably the Committee Chair, must be a Chartered Accountant or Certified Practising Accountant.

4 Access to people and information

Committee members may access any information or seek any advice necessary to fulfil their responsibilities.

In particular, the Committee may have access to internal and external auditors without management present, to seek explanations or additional information. The Committee may also seek independent professional advice at the SEC's expense.

Committee members may at any time access senior executives to request further information.

5 Meeting frequency and attendees

The Committee will meet as frequently as members consider necessary to meet their responsibilities, but no fewer than four times per year.

Committee meetings can be held in person or by any means consented to by all members (such as video conference).

The Committee will extend an open invitation to the external auditor to attend Committee meetings and meet privately with the external auditor once per year.³

6 Quorum

A meeting quorum is a majority of members. To meet quorum, a member may be present in person or by a means agreed by the Committee. A quorum must be in place for the entire meeting.

7 Procedures

Annual plan and agenda setting

The Committee will work to an agreed annual plan, scheduling the key items which require Committee attention in the year ahead. The agenda for each meeting will be produced by the Chief Financial Officer, guided by the annual plan and any emerging items, and approved by the Chair.

Paper distribution

Papers will be distributed no less than five working days ahead of a meeting. Papers will be provided electronically in a format accessible to all members.

Meeting support

The Committee will be supported by the Chief Financial Officer and a Committee secretary, who will be available during and between meetings to assist the Chair and members to carry out their role. The Chief Financial Officer and Committee secretary will ensure appropriate meeting protocols and procedures are in place to support effective Committee operation.

Minutes

Minutes will be kept as a record of all meeting and will be provided to the Chair within three days of the meeting for review and subsequently the members. Minutes for each meeting will be considered and ratified by the Committee as a true and accurate record at the following meeting.

Reporting

The Committee will report regularly to the Board on matters under the Committee's oversight.

8 Committee evaluation

The Committee will undergo an annual assessment of its performance, with an independent external party conducting the assessment every two years. Results of all performance evaluations will be provided to the Board.

9 Committee Charter review and approval

This Charter will be reviewed and updated at least every two years. The Charter may be amended by resolution of the Board.

To the extent that there is any inconsistency between this Charter and the SEC Board Charter, the SEC Board Charter will prevail.

³ Standing Direction 3.2.1.1(g)