



AUSTRALIAN  
OLYMPIC  
COMMITTEE

# AUDIT & RISK COMMITTEE CHARTER

# AUDIT & RISK COMMITTEE CHARTER OF THE AUSTRALIAN OLYMPIC COMMITTEE

## 1 / OVERALL OBJECTIVES OF AUDIT & RISK COMMITTEE

- 1.1. The primary objective of the Audit & Risk Committee (Committee) is to assist the Executive to fulfil its corporate governance and overseeing responsibilities relating to:
  - The financial reporting process.
  - The system of internal control and management of financial and other risk.
  - The audit process.
  - The AOC's process for monitoring compliance with:-
    - laws, regulations, and contracts;
    - the IOC Code of Ethics, and
    - the AOC Code of Conduct for the Executive and Commissions.
- 1.2. Specifically, the Committee's role is to report to the Executive and provide appropriate advice and recommendations on matters relevant to this Charter in order to facilitate decision making by the Executive.
- 1.3. The role of the Committee is not an executive role. Specifically, it is the duty of Management to plan and conduct audits and, in conjunction with the auditors, ensure that the AOC's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, applicable rules and regulations.

## 2 / MEMBERSHIP

- 2.1. The Committee will comprise of no less than three and no more than five members appointed by the Executive, all of whom shall be independent members of the Executive. Members will be appointed for a four year term of office coinciding with the election of the Executive. The Executive will formally approve all changes to members.
- 2.2. Members will be financially literate (that is, the ability to read and understand financial statements), or become financially literate within a reasonable period of time after their appointment to the Committee. At least one and preferably two members shall have financial expertise or a comprehensive financial background (that is, past employment, financial experience or certification in finance or accounting).
- 2.3. The Chair of the Committee will be appointed by the Executive and not be the President of the AOC.

## 3 / AUTHORITY

- 3.1. The Committee is authorised by the Executive to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any requests made by the Committee.
- 3.2. The Committee is authorised by the Executive to obtain outside legal or other independent professional advice and to secure the assistance of outsiders with relevant experience and expertise if it considers this necessary.
- 3.3. The Committee shall have unrestricted access to the auditors and to senior management and employees of the AOC.

## 4 / MEETINGS

- 4.1. The Committee will hold at least three meetings per year. Meetings of the Committee may be held face-to-face or through any technological means by which members can participate in a discussion. A simple majority of committee members will constitute a quorum. Meetings would normally be held to review the:
- plan for the audits; and
  - annual financial statements prior to the Executive approving the annual report.
- 4.2. The Committee may call such additional meetings as the Chair of the Committee decides are necessary for the Committee to fulfil its duties. In addition, the Chairman of the Committee is required to call a meeting of the Committee when requested to do so by a Committee member, the President, Chief Executive Officer (CEO), Chief Financial Officer (CFO) or the auditors.
- 4.3. The CFO shall be the secretary to the Committee and be responsible, in conjunction with the Chair of the Committee, for drawing up the agenda and circulating it, supported by explanatory documentation, to Committee members prior to each meeting. In preparing the agenda, the Chair of the Committee and CFO shall consult with the auditors where appropriate. The CFO will also be responsible for keeping and circulating minutes. The minutes of meetings will be distributed to all Committee members, after the preliminary approval of the Chair of the Committee. They are to be approved by the Committee and signed by the Chair of the Committee.
- 4.4. It is expected that the President, CEO and the CFO will usually attend each meeting – in order that, inter alia, the Committee may be made directly aware of the views of the AOC's management. Representatives of the auditors will also attend at the discretion of the Committee. The Committee may invite such other persons to its meetings as it deems necessary.

## 5 / RESPONSIBILITIES

- 5.1. The Committee shall:
- (1) monitor the establishment and maintenance of an appropriate governance, risk and internal control framework including integrity of AOC policies and consider enhancements;
  - (2) review external audit reports to ensure that any major breakdown in controls has been identified and that appropriate and prompt remedial action has been taken by management;
  - (3) monitor compliance with laws, regulations and codes of conduct and ethics;
  - (4) review the risk and control frameworks for the AOC's Teams;
  - (5) review financial information presented to the Executive and to the members through the Annual Report;
  - (6) oversee and appraise the coverage and quality of audits conducted by external auditors;
  - (7) maintain open lines of communication between the Committee and the auditors to exchange views and information as well as confirm the auditor's authority, responsibilities and independence; and
  - (8) examine any other matters referred to it by the Executive.

The specific duties of the Committee shall be:

#### 5.2. Internal Control

- (1) Ensure that an appropriate “control culture” has been embedded in the AOC by communication of the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities.
- (2) Evaluate the effectiveness of control systems and processes.
- (3) Review the adequacy of the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.
- (4) Ensure that internal control recommendations made by the auditors have been implemented by management within an appropriate timeframe.
- (5) Focus internal control systems on specific business risks.
- (6) Regularly review and monitor compliance with the AOC Policies Manual.
- (7) Monitor compliance with other policies, financial guidelines, standards and best practice guidelines, laws and regulations.
- (8) Ensure that it receives from management reports on all actual and suspected breaches of laws, including fraud and theft.

#### 5.3. Risk Management

- (1) Review for currency and appropriateness, the risk management process, crisis management plan, and associated procedures for effective identification and management of the AOC's financial and business risks and those of each of the AOC's Teams including fraud, corruption and the security of Team members.
- (2) Understand the IT strategy and the information technology security arrangements.
- (3) Review the impact of the AOC's risk management process on its control environment and insurance arrangements.
- (4) Review whether a sound and effective approach has been followed in establishing the AOC's business continuity and security planning arrangements, and those of each of the AOC's Teams, including whether disaster recovery and crisis management plans have been tested periodically.
- (5) Review the AOC's fraud control plan and satisfy itself that the AOC has appropriate processes and systems in place to capture and effectively investigate fraud related information.
- (6) At each meeting review the business risks summary which has been developed by management to safeguard the AOC's activities and which is to be a standard agenda item.
- (7) Consider any other business risks that are not dealt with by another committee or commission.
- (8) Review significant cases of employee conflict of interest, misconduct or fraud.

#### 5.4. Financial Accounting Compliance

- (1) Evaluate the adequacy and effectiveness of the AOC's administrative, operating and accounting policies through active communication with management and the auditors.
- (2) Request and review reports from management and the auditors on any significant regulatory, accounting or reporting announcements and assess the potential impact upon the AOC's financial reporting process.
- (3) Monitor the standard of corporate conduct in areas such as arms-length dealings and potential conflicts of interest.

## 5.5. External Reporting

- (1) Review all financial reports and any correspondence regarding the AOC's financial reporting or related matters prior to their release to members (through the Annual Report).
- (2) Review any significant transactions outside the AOC's normal activities.
- (3) Review the annual financial statements with the President, CEO, the CFO and the auditors, prior to submission to the Executive, with particular reference to:
  - i. the nature and impact of any changes to accounting policies and practices.
  - ii. major judgmental areas, including any significant accounting estimates.
  - iii. outstanding contingent liabilities, including existing and potential legal actions and claims against the AOC or its Executive.
  - iv. significant adjustments resulting from the audit.
  - v. compliance with accounting standards and the Victorian Associations Incorporation Reform Act 2012 and Regulations, Corporations Law (as if the AOC was incorporated thereunder), and other relevant legislative and reporting requirements.
  - vi. the disclosure of the AOC's main corporate governance practices.
- (4) Review the other sections of the Annual Report before its release and consider whether the information is understandable and consistent with members' knowledge about the AOC and its activities.

## 5.6. Audit

- (1) Recommend to the Executive annually or as otherwise determined by the Executive, the appointment of auditors and the level of their fees.
- (2) Discuss and agree with the auditor before the audit/review commences the nature and scope of the audit/review procedures.
- (3) Discuss problems and reservations arising and any other matters the auditor may wish to discuss. The Committee will meet at least once annually with the auditors, in the absence of management, and on any occasion during the year as requested by either the Committee or the auditors.
- (4) Review reports prepared by the auditors and management's response. Review all representation letters signed by management and be satisfied that the information provided is complete and appropriate.
- (5) Periodically assess the auditor's independence by considering the relationships and services provided by the auditors and others that may lead to actual or perceived lack of independence (refer Appendix A).
- (6) The auditors may be permitted to provide non-audit services where their detailed knowledge of the AOC's activities could permit cost and output efficiencies, provided stringent independence requirements are satisfied. These services, based on recommendations from management, must be approved by the Committee (refer Appendix A).
- (7) The Committee will require the auditors to confirm, in writing, that they have complied with all professional and regulatory requirements relating to auditor independence prior to expressing an opinion on the Financial Statements for each year.
- (8) The Committee will recommend to the Executive, on a totally transparent basis, the appropriate disclosure in the Financial Statements of the details of fees paid to the auditors.
- (9) Review the relationship with the auditors (refer Appendix A) and evaluate the overall effectiveness of their audit.

#### 5.7. Other responsibilities

- (1) Perform other oversight functions as requested by the Executive.
- (2) Identify and direct any special projects or investigations deemed necessary.
- (3) Review policies to avoid conflicts of interest and review any past or proposed transactions between the AOC and members of the Executive, management and other employees to ensure compliance with the AOC Policies Manual in this regard.

## 6 / REPORTING

### 6.1. To the Executive

- the Chair of the Committee will communicate the activities and findings of the Committee to the Executive after each Committee meeting and make appropriate recommendations. The Committee will ensure the Executive is aware of matters which may significantly impact the financial condition or affairs of the AOC. To the extent practicable, copies of the minutes of each Committee meeting will be included in the papers for the next Executive meeting after each meeting of the Committee;

### 6.2. To the membership (through the Annual Report)

- the Committee will disclose the fees received by the auditor, including an analysis of any non-audit services

## 7 / CONFIDENTIALITY

Unless otherwise required by law or the AOC Constitution, the members of the Committee are required to keep the financial affairs and state of accounts, information which is confidential or generated for internal management of the Committee, and their discussions, committee papers and deliberations confidential.

## **8 / AMENDING THE CHARTER AND INCONSISTENCY WITH AOC CONSTITUTION**

- 8.1. The Committee will review the content of its Charter and performance once during each Olympiad and otherwise as it considers necessary;
- 8.2. This Charter may be amended by the Executive at any time subject to the requirements of the AOC Constitution, the Victorian Incorporations Reform Act 2012 and Regulations and the law. While this Charter does not form part of the AOC Constitution, this Charter (as in force from time to time) nevertheless is binding on the Committee and each of the Committee members;
- 8.3. To the extent there is any inconsistencies between this Charter and the AOC Constitution, the AOC Constitution will prevail.

## **9 / ACCESS TO CHARTER**

The Committee Charter will be available, upon request, to all members of the Executive and management, the auditors, members of the AOC and other interested parties. It shall be posted on the AOC website [www.olympics.com.au](http://www.olympics.com.au).

ADOPTED by the AOC Executive on 20 December 2002.  
AMENDED on 12 August 2005.  
AMENDED on 19 March 2015.  
AMENDED on 6 August 2015.

# APPENDIX A

## AUDIT & RISK COMMITTEE CHARTER

### RELATIONSHIP WITH AUDITORS

The auditors have an unrestricted right to discuss any issues they deem necessary with the Committee, or if deemed appropriate by the auditors, with the Executive.

The Committee will require the auditors to confirm, in writing, that they have complied with all professional and regulatory requirements relating to auditor independence prior to the completion of each year's accounts.

There will be a mandatory period of two years following resignation from an audit firm before a former partner who was directly involved in the audit of the AOC can take an employed or contracted position with the AOC involving responsibility for fundamental management decisions. It is not considered necessary to declare any such former partner ineligible for election to the Executive as nomination must be made by a National Federation of a sport on the Olympic Program or a State Olympic Council and such positions of themselves are honorary.

The Committee will monitor the number of former employees, if any, of the auditor currently employed in senior positions in the AOC and assess whether this impairs or appears to impair the auditor's judgement or independence in respect of the AOC.

The lead engagement and review audit partners will be required to rotate off the audit after their involvement for a maximum of 5 years and there will be a period of at least 3 years before those partners can again be involved in the AOC audit.

The Committee will meet at least once annually with the auditors, in the absence of management, and on any occasion during the year as requested by either the Committee or the auditors. It is expected that the auditors will immediately contact the Chair of the Committee if management has placed unreasonable restrictions on access by the auditors or there are significant unresolved issues between management and the auditors.

It is the responsibility of the Committee to periodically assess the auditor's actual or perceived lack of independence. In this regard, the following matrix categorising the types of non-audit services that may or may not be provided by the auditors has been developed by them and amended by the AOC (by the addition of a Category E for services which were previously categorised as A, B, C or D and which are considered not likely to be applicable to the AOC). It categorises non-audit services into five categories and can be implemented as follows:

#### 1 / CATEGORIES A AND B

Service in these categories may be rendered on the recommendation of management and with the prior approval of the Committee subject in every case to:

- a) the overriding requirements that the auditors shall not provide services which are considered to be in conflict with their ability to exercise objective and impartial judgement on issues that may arise with the audit or which may in any way conflict with their role as the statutory auditor; and
- b) the fees for non-audit services not exceeding 50% of the annual audit fee.



## 21 CATEGORIES C, D AND E

Service in these categories cannot be rendered by the auditor.

Independence Requirements for the Provision of Non-Audit Services by the Statutory Auditor

Key:

- Category A -** Services where existing knowledge of the statutory auditor brings insight and synergy to the AOC without impacting the actual or perceived independence of the quality of the auditor's ongoing assurance engagements.
- Category B -** Services which can be provided without impacting actual or perceived independence of the auditor's ongoing assurance engagements.
- Category C -** Services which may impact the actual or perceived independence of the auditor's assurance engagements.
- Category D -** Services which would impact the actual or perceived independence of the auditor's ongoing assurance engagements.
- Category E -** Services which are not likely to be applicable to the AOC.

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Assurance</b>					
Accounting procedures review	✓				
Compliance assurance	✓				
General Process and Controls Review (other than financial controls)	✓				
Shared Service Operation Review	✓				
Corporate Governance	✓				
Acquisition due diligence (where auditor is not auditor of other party)					✓
Acquisition due diligence (where auditor is also auditor of other party)					✓
Prospectus					✓
Internal audit of financial controls				✓	
<b>IT Reviews</b>					
Review of IT process controls	✓				
Design and implementation of financial systems				✓	
Operate or supervise IT systems				✓	
Assessment of application controls	✓				
IT process risk reviews		✓			
IT infrastructure assessment		✓			
Data conversion & integrity assistance	✓				
Interface control reviews	✓				
Security	✓				
<b>Transaction Services</b>					
Transaction support for acquisition/divestment (where auditor of other party)					✓
Transaction support for acquisition/divestment (not auditor of other party)					✓
Review of valuation approach for regulatory purposes	✓				
Valuation where results are material to Financial Statements				✓	
Valuation where the accountant is required to audit the results				✓	
Independent expert reports					✓
Post merger integration advice (other than financial controls)					✓
Transaction project management				✓	
Capital raising requiring due diligence or an Independent Accountants Report				✓	
Strategic financial advice, including strategic alliances			✓		

	A	B	C	D	E
<b>Risk Management</b>					
Outsourcing/partnering				✓	
Continuous monitoring of financial controls				✓	
Control Risk Self-Assessment (financial controls)				✓	
Enterprise wide risk management				✓	
Review of approach to financial risk management			✓		
Fraud review	✓				
Probity audit	✓				
Benchmarking	✓				
<b>Technical interpretation</b>					
Technical interpretation	✓				
International comparisons	✓				
<b>Taxation</b>					
Compliance reviews	✓				
Structuring advice			✓		
Transaction advice			✓		
Benchmarking	✓				
Taxation opinions			✓		
Assistance in the resolution of disputes					✓
<b>Bookkeeping</b>					
Decision making ability and posting entries to client ledger					✓
<b>Human resources</b>					
Secondment to positions which allow:					
a) management decisions					✓
b) approving or signing agreements or other similar documents					✓
c) exercising discretionary authority to commit the client					✓
d) recruiting senior management					✓
<b>Broker/Dealer</b>					
Promoting a client's product or securities					✓
<b>Legal Services</b>					
Advocate for transactions where the outcome may be material					✓
Contract support			✓		
Legal advice			✓		
Legal due diligence and acquisition structuring advice					
a) when not auditor of other party					✓
b) when auditor of other party					✓