

Board Audit Committee Charter

Version 4.0

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1. Introduction

The Board Audit Committee (the Committee) is a committee of the Board of Insurance and Care NSW (icare).

This Charter sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

1. Objective

The objective of the Committee is to provide independent assistance to the Board by performing an oversight function in the areas of financial and actuarial reporting, application of accounting policies, icare's internal control systems, the internal and external audit functions and providing a structured reporting line for internal audit to facilitate the independence of internal audit.

The Committee will make recommendations to the Board and report on its activities.

2. Authority

All decisions in relation to the functions of icare are to be made by or under the authority of the Board. The Board may authorise the Committee to make decisions on behalf of the Board in relation to certain matters. In this case, a decision made by the Committee is taken to be a decision made by the Board. The Board will review decisions made by the Committee and, at its discretion, may overturn, amend or refer the decision back to the Committee for further consideration.

The Board authorises the Committee, within the scope of its responsibilities, to perform the activities identified in this Charter. To meet its obligations the Board authorises the Committee to:

- obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- discuss any matters with an external audit or other external parties (subject to confidentiality considerations);
- request the attendance of any employee at Committee meetings; and
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities. The payment of costs for that advice by icare is subject to the prior approval of the Chair of the Committee.

The Committee's authority covers icare and the entities on whose behalf icare acts or provides services to and includes the Workers Compensation Nominal Insurer, NSW Self Insurance Corporation, Lifetime Care and Support Authority, Workers Compensation (Dust Diseases) Authority and the Sporting Injuries Compensation Authority.

3. Responsibilities

The Committee is directly responsible and accountable to the Board for the exercise of its responsibilities, which may be revised in consultation with, or as requested by, the Board from time to time. In carrying out its responsibilities, the Committee shall at all times recognise that primary responsibility for oversight of the management of icare rests with the Board.

In fulfilling their responsibilities, all Committee members are bound to act honestly, fairly, and in accordance with the law, icare's values and icare's Code of Conduct and Ethics.

The Committee's responsibilities are set out below.

4.1 Financial Reporting and Actuarial

- Assess the policies and procedures for management review and consideration of the financial position and performance of icare including the frequency and nature of that review (including the approach taken to addressing variances and budget risks) and endorse such policies for approval by the Board.
- Review and, where relevant, approve procedures around early close and year-end.
- Review the financial statements, provide advice to the Board in relation to the financial statements (including whether appropriate action has been taken in response to audit recommendations and adjustments) and recommend their signing by the Board.
- Satisfy itself that the financial statements are supported by appropriate management signoff on the statements, to ensure that a true and fair view of the financial position and performance of icare and the entities it services is always accessible.
- Review the Chief Financial Officer (CFO) Letter of Certification and supporting documentation (consistent with Treasury Policy *Certifying the Effectiveness of Internal Control over Financial Information* (TPP17-06)).
- Review the performance of icare's General Manager Actuarial Services (or equivalent role).
- Review cash management policies and procedures.
- Review policies and procedures to be followed in the collection, management and disbursement of grants and tied funding, and the allocation of funding for industry supports and research as permitted by the statutory powers of the entity or entities that icare provides services.
- Review the processes in place designed to ensure that financial information included in icare's annual report is consistent with the signed financial statements.
- Satisfy itself that icare appropriately measures and reports on its performance against objectives and budgets.
- Review and approve the adequacy and effectiveness of financial management and reporting and internal control systems including the controls implemented by the responsible icare executives to ensure that icare's requirements for the recording, processing and reporting of financial data are met by third party service providers.
- Oversee icare's financial reporting including:
 - financial reporting systems;
 - each scheme's Insurance Liabilities Valuation Report;
 - the Financial Condition Report covering each scheme;
 - key financial disclosures required to be made to stakeholders; and
 - climate related financial disclosures (TPG 24-33).

4.2 Internal Audit

- Review and provide advice to the Board on the internal audit policies and procedures.
- Review the risk-based audit methodology.
- Review and approve the internal audit coverage and annual work plan, and ensure the plan is consistent with icare's risk management plan.

- Advise the Board on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan.
- Review audit findings and related recommendations, particularly those that have been assessed as a high-risk if audit finding recommendations are not implemented.
- Provide advice to the Board on significant issues identified in audit reports and action taken on these issues, including identification and dissemination of good practice.
- Monitor management's implementation of internal audit recommendations.
- Review and approve the internal audit charter including ensuring the appropriate structures, authority, access to senior management and reporting arrangements are in place.
- Provide advice to the Board on the results of any external assessments of the internal audit function.
- Oversee and provide advice to the Board on the appointment, removal or replacement of the General Manager Internal Audit¹, and recommend to the Board the appointment or replacement of external internal audit service providers.
- Assess the overall effectiveness and evaluate the performance of the General Manager Internal Audit and Internal Audit function.
- Contribute to the General Manager Internal Audit's regular performance review, through the Committee Chair.
- Ensure that compliance with, and the effectiveness of icare's risk management framework is subject to internal and/or external audit at least annually (other than in respect of a year when a comprehensive review of the risk management framework is undertaken by operationally independent persons). The results of this review must be reported to the Committee.
- Monitor that the internal audit function operates consistently with NSW Treasury policy and in accordance with the International Standards for Professional Practice for Internal Auditing.
- In order to support its independence, ensure that Internal Audit has unfettered access to the Committee, and that the Committee Chair makes themselves available to the General Manager Internal Audit for the purpose of consultation on internal audit findings and the annual audit plan.
- Ensure there is a direct reporting line from the General Manager Internal Audit to the Committee which allows the General Manager Internal Audit to report to the Committee on functional matters.

4.3 External Audit

- Act as a forum for communication between icare, senior management and internal and external audit.
- Provide feedback on the financial audit coverage proposed by external audit and be informed of planned performance audit scope prior to their commencement.
- Review all external plans and reports (including management letters) in respect of planned or completed audits and monitor management's implementation of audit recommendations.

¹ the equivalent role of the Chief Audit Executive under TPP20-08

4.4 Policies

Approve all policies delegated to the Committee for approval under the Policy Governance Framework and otherwise review and recommend all other relevant policies to the Board which require Board approval.

4.5 Reporting lines

The Committee shall, at all times ensure it maintains a direct reporting line to and from internal audit and act as a mechanism for internal audit to report to the Committee or the Board on functional matters. Internal audit is responsible for providing assurance to the Board and the Committee on the effectiveness of the risk management framework.

The General Manager, Internal Audit must have a direct reporting line to the Committee and an administrative reporting line to a direct report of the Chief Executive, in this case, the Group Executive, Risk and Governance.

4.6 Responsibilities of Committee members

Members of the Committee are expected to understand and observe the requirements of NSW Treasury's TPP 20-08 Internal Audit and Risk Management Policy for the General Government Sector (TPP 20-08) and, to the extent relevant to icare, the Australian Prudential Regulation Authority's Consolidated Prudential Standard (CPS) 310: *Audit and Related Matters*. Members are also expected to:

- make themselves available as required to attend and participate in meetings;
- contribute the time needed to study and understand the papers provided;
- apply good analytical skills, objectivity and good judgement;
- abide by the relevant ethical codes that apply to employment within the General Government Sector, including the icare values and icare's Code of Conduct and Ethics; and
- express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

5. Composition and Tenure

The Committee will consist of at least three, and no more than five members, appointed by the Board. At least three members must be Directors of the Board. Additional members need not be Directors of the Board. All members must also be members of the Board Risk Committee (BRC). Where relevant, one member of each of the other Board Committees should have representation on the Committee. The Board will appoint the Chair and members of the Committee. The Chair is counted as one member of the Committee.

Members will be appointed for an initial term of no less than three years (which may be terminated earlier by mutual agreement) and not exceeding five years, after which they will be eligible for extension or re-appointment for a further term(s) subject to a formal review of their performance (noting that the total term on the Committee will not exceed eight years).

The Chair must be a member of the Board and the BRC but cannot be the Chair of the Board or the BRC. The Chair will be appointed for one term only for a period of at least three years with a maximum period of five years (which may be terminated earlier by mutual agreement). The term of appointment for the Chair can be extended but any extension shall not cause the total term to exceed five years.

The Chair and members of the Committee should be selected in accordance with the NSW Treasury *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members, Scheme Guidelines*. All committee members including the Chair must be independent as defined in TPP 20-08. Current employees of all NSW government sector agencies, other than State Owned Corporations, cannot serve as members or as Chair of the Committee.

Committee members should collectively develop, possess and maintain a broad range of skills and experience relevant to the operations, governance and financial management of icare, the environment in which icare operates and the contribution that the Committee makes to the organisation. At least one member of the Committee shall have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

At least one Committee member will have a detailed understanding of contemporary auditing standards mandated by Australian financial services regulators and the International Standards Organisation.

The Chief Executive cannot be a member of the Committee but, unless other arrangements are made with respect to any meeting, or part of a meeting, either the Chief Executive or their delegate has a standing invitation to attend Committee meetings.

Induction

New Committee members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

6. Disclosures of Interest and Management of Conflicts of Interest

To ensure the appropriate management of any actual, potential or perceived conflict of interest, the Committee and its members will comply with the policies and procedures outlined in the icare Board Charter (Section 11).

Details of any disclosures of interest are to be minuted and included in the Register of Directors' Interests which is tabled at the Committee meeting.

Where the Chief Executive, senior management of icare or observers at Committee meetings are deemed to have a real, or perceived, conflict of interest it may be appropriate that they are excused from Committee deliberations on the issue where a conflict of interest exists.

7. Conduct of Committee Meetings

7.1 Frequency of meetings

The Committee will meet at least four times per year, and more regularly if required. The dates of the meetings will be determined 12 months in advance. Members can attend in person, by telephone or by video conference. All attendees are responsible and accountable for maintaining the confidentiality of the information they receive during the course of these meetings.

The Chair is required to call a meeting if requested to do so by the Board or another Committee member.

A Governance Calendar of recurring agenda items which are required to come before the Committee in any one year will be developed and provided at the first meeting of the calendar year.

7.2 Circular resolutions

The Committee may, if it thinks fit, transact any of its business by the circulation of papers among all members. A resolution approved in writing (including by email confirmation) by a majority of those members is taken to be a decision of the Committee.

Circular resolutions are commonly used for non-contentious and routine matters that need to be dealt with between Committee meetings or to formalise a course of action where there has been extensive and robust discussion at a prior Committee meeting. They should not be used for matters that require extensive presentations by management or discussion among members.

Circular resolutions require a quorum of members, and the resolutions will be included as a paper for noting at the next meeting.

7.3 Quorum of Meetings

A quorum will consist of a majority of Committee members and must include at least two Directors. All decisions of the Committee must be agreed by a minimum of two Directors. Where agreement cannot be reached by the minimum of two Directors, the Chair may escalate the matter to the Board to make the decision.

The Chair or person presiding at a meeting of the Committee has a deliberative vote and, in the event of an equality of votes, has a second or casting vote.

7.4 Conduct of Meetings

Meetings will be formally structured, held in appropriate facilities with timely notice, agendas and supporting papers and minutes of prior meetings distributed sufficiently in advance. Where possible, papers will be distributed electronically via a secure system. Matters will be debated openly and constructively amongst the Committee members.

7.5 Attendance at meetings

The Committee may request that other persons attend meetings or participate for certain agenda items. In this respect, the Committee will have free and unfettered access to the Group Executive Team, including but not limited to the Group Executive Finance (or equivalent role), Group Executive Risk & Governance (or equivalent role), General Manager Actuarial Services (Chief Actuary), external valuation actuaries, external auditors, General Manager Internal Audit, General Manager Risk and Compliance, General Counsel and any other parties (internal or external) required by the Committee to fulfil its role. Where Committee members seek direct access to any of these parties to discuss substantive matters, Committee members should advise the Chair of the Committee and the Chief Executive.

The Chair of the Board may attend the meetings of the Committee. The Committee members can hold private sessions as required separately with any of the senior management of icare, including but not limited to the Chief Executive, Group Executive Finance, Group Executive Risk and Governance, General

Manager Actuarial Services (Chief Actuary), General Counsel, external actuaries, external auditors, General Manager Internal Audit² and General Managers in Risk and Governance without other management personnel being present. The Committee will meet separately with the external auditors at least once a year.

7.6 Leave of absence

If the Chair is absent from a meeting and no acting Chair has been appointed, the Committee members present may choose one of them to act as Chair for that meeting.

8. Secretariat

The Head of Board Governance or their delegate will provide secretariat support to the Committee. The Head of Board Governance or their delegate will ensure the agenda for each meeting and supporting papers are circulated at least one week before the meeting and ensure the minutes of the meetings are prepared and maintained.

Draft minutes of each meeting will be prepared and provided to the Chair for review within 10 working days of the meeting. A further draft incorporating any changes made by the Chair will be circulated to the Committee for approval at the following meeting.

The Committee is to confirm the minutes of its meetings. The confirmed minutes are to be kept safe as an official record of the Committee's resolutions.

9. Access to Independent Advice, Information and Records

Each member is entitled to have free and full access to all Committee records (including but not limited to minutes, papers, agendas, tabled documents and presentations) created during their term(s) as a member.

Committee members will at all times have free and unfettered access to advisors, and access to resources and information the Committee considers relevant to its responsibilities. The Committee may seek independent professional advice, at icare's expense, if it is considered necessary for the proper performance of the Committee's responsibilities. The Chair of the Committee and the Chief Executive will facilitate the procurement of any such advice.

10. Reporting

The Committee's meeting minutes will be made available to the Board, and the Committee will, through its Chair, regularly update and make recommendations to the Board on matters falling within the scope of its roles and responsibilities. As part of this reporting, the Board will be made aware of matters before the Committee that may materially impact the financial condition of affairs of icare, including the entities it manages.

² Equivalent to the Chief Audit Executive.

The Committee will also report to the Board, at least once a year, on its operations and activities during the year, including:

- an overall assessment of icare's financial management and internal audit frameworks, including details of any significant emerging risks;
- a summary of the work performed by the Committee to fully discharge its responsibilities during the preceding year (this can be done in the form of verbal update by the Committee Chair at the following Board meeting); and
- details of meetings, including the number of meetings held during the relevant period, and the number of meetings attended by each member.

The Committee may, at any time, report to the Board any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Board.

11. Dispute Resolution

Members of the Committee and icare's management should maintain an effective working relationship and seek to resolve differences by way of open discussion. However, in the event of a disagreement between the Committee and management, the Chair may, as a last resort, refer the matter to Board.

12. Assessment Arrangements

The Committee, in consultation with the Chair of the Board, is to assess its performance annually including the performance of the Committee Chair and each Committee member. The assessment activities may include, but are not limited to, surveys, one-to-one feedback sessions with the Chair and Committee members, and discussions with appropriate input sought from internal and external auditors, the Group Executive Risk and Governance (or equivalent role), management and any other relevant stakeholders. This may form part of the Board's evaluation assessment of the Board and all other Committees. The Committee is committed to supporting a culture of continuous improvement in its performance, collectively and individually.

13. Charter Review

This Charter is to be reviewed biennially (including consultation with the Chair of the Board) to ensure that it remains consistent with the Board's and Committee's objectives and responsibilities. Any substantive changes to this Charter will be agreed by the Committee and recommended for approval to the icare Board.

Board Governance

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