Finance Risk and Audit Committee - Terms of Reference

Responsibility: FSO Board
Approved: 12 April 2023
Amended: -

1. Purpose

The Finance, Risk and Audit Committee (FRAC) has been established by the Board of Digital Skills Organisation (DSO) Limited (trading as Future Skills Organisation (FSO)) to administer and perform some of the obligations of the Future Skills Organisation in relation to:

- financial performance and the financial reporting process, including the annual financial statements;
- the scope of work, independence and performance of the external auditor;
- the operation and implementation of the risk management framework (including internal audit and assurance activities);
- matters of accountability and internal control affecting the operations of FSO; and
- the FSO process for monitoring compliance with laws and regulations.

In performing its duties, the Committee will maintain effective working relationships with the FSO management, and the appointed external auditors. To perform their role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the FSO business, operations, and risks/opportunities.

The Board authorises the Committee in carrying out this Terms of Reference to:

- where permitted by law or pursuant to contract, seek any information that it requires from any organisation, employee or director;
- see any information that it requires from any external party so long as any expense of the third party is first approved by the Board; and
- request the attendance of any employee or director at any Committee Meeting.

2. Composition and Structure of the Committee

The Finance, Risk and Audit Committee shall have the following membership:

- the Committee will comprise of a maximum of four members, of whom at least three will be Board members;
- the composition of the Committee shall be reviewed by the Board at least every two years;
- the Board may at any time and prior to the expiration of a Committee member's term, remove a committee member from the Committee;
- management personnel are not to be members of the Committee;
- each member should be capable of making a valuable contribution to the Committee and will have the relevant qualifications to perform their role;
- the Chairperson of the Committee will be appointed by the Board;
- the Chairperson is not to be the Chairperson of the Board;

- the Board Chair will have a standing invitation to each meeting but is not required to attend; and
- a quorum for any meeting will be two members.

3. Objectives of the FRAC

- To assist the Board to discharge its responsibility to exercise due care, diligence and skills in relation to FSO:
  - compliance with applicable laws, regulations and standards
  - reporting of financial information in accordance with the law;
  - application of accounting standards and policies
  - financial management
  - internal control systems
  - business policies and practices
  - oversight of major contracting and contract management
  - protection of assets.
  - to improve the credibility and objectivity of the accountability process particularly for the financial reporting.
- Make appropriate enquiries to satisfy itself that all regulatory compliance matters, related to the business of FSO, have been considered in the preparation of the financial statements.
- To support the efficiency of the Board by undertaking tasks and reviewing issues specifically referred to it by the Board from time to time.
- To improve the quality of internal and external reporting of financial and non-financial information.
- To facilitate the effectiveness of the audit functions and provide a formal mechanism for communication between the Board and the auditors.
- To facilitate the maintenance of the independence of the external auditor.
- To review analysis of major operational issues impacting the organisation including their financial and risk impacts.
- To support the fostering of an ethical culture and good governance throughout the organisation, including substantive and operational control environment.
- To review the analysis and management of FSO's insurance arrangements, including the assessment of risks, trends and claims, and reporting of insurance related issues.
- To oversee the implementation and oversight of FSO's risk management framework/strategy.

4. FRAC Responsibilities

- To regularly review the organisation's financial position, including stability, liquidity, and growth.
- To review annual financial statements prior to recommendation to the Board for adoption.
- To ensure the regular monitoring of processes for compliance with laws, regulations, standards, best practice guidelines and the organisation's code of conduct.
- To review and advise the Board on related party transactions and/or perceived or actual conflicts of interest in relation to the Board.
- To review the adequacy of controls and procedures, including the information systems.

- To ensure control mechanisms are in place for the prevention, detection and investigation of fraud and irregularities.
- To review and agree to the auditor's proposed scope of works.
- To review any findings of the auditor and to ensure that they are responded to appropriately by management.
- To assess the performance of the auditor on an annual basis, and to recommend to the Board whether the engagement of the auditor be renewed or retendered.
- To regularly review the assessment of the insurance coverage and policies and make recommendations where appropriate to the Board on these matters.
- Oversight of major contracts (being contracts greater than $100,000 in value).

5. Meetings of the FRAC

- The Committee may invite such other persons to its meetings, as it deems necessary.
- The external auditors should be invited to make presentations to the Committee as appropriate.
- Meetings shall be held not less than four times a year. Special meetings may be convened as required.
- External auditors may convene a meeting if they consider that it is necessary.
- The agenda and supporting documentation should be delivered to the Committee members at least five working days in advance of each meeting.

6. Board Reporting Requirements

The minutes of each Committee meeting will be circulated to all directors at the Board meeting which next follows the meeting of the committee, and the Chair of the Committee will report to the Board about the activities of the Committee as appropriate.

The Committee will, at least once in each financial year:

- Determine the goals and objectives of the Committee for the forthcoming year and review the Terms of Reference in light of any modifications to the Committee's goals and objectives.