



# RECREATIONAL AVIATION AUSTRALIA

## **Risk and Audit Committee Charter**

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## Document Control

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## **BOARD RISK AND AUDIT COMMITTEE CHARTER**

### **Purpose and authority**

The risk and audit committee (RAC) is a Board committee established to align with management as it embarks a structured risk management program. The primary responsibility of the RAC is to oversee and approve the company-wide risk management practices to assist the board in:

- Overseeing that the executive team has identified and assessed all the risks that the organisation faces and has established a risk management infrastructure capable of addressing those risks.
- Overseeing, in conjunction with other board-level committees or the full board (if applicable) risks, such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational, and other risks.
- In conjunction with the full board, approving the company's enterprise wide risk management framework and risk appetite statement.
- Overseeing that the executive team develops and satisfies internal and external audit processes.

The RAC has the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from an outside legal, accounting, or other advisors (as necessary) to perform its duties and responsibilities as determined by the Board.

In carrying out its duties and responsibilities, the RAC shall also have the authority to meet with and seek any information it requires from the executive and if necessary, from employees, officers, directors, or external parties.

The committee will primarily fulfil its responsibilities by carrying out the activities described in Section III of this charter.

### **Composition and meetings**

The committee will comprise of two or more directors, as determined by the board. The committee may include non-directors as members. Each member will have an understanding of risk management expertise commensurate with the company's size, complexity and operations.

The committee will encourage its members to stay abreast of leading practices with regard to risk governance and oversight and risk management.

Committee members and a Chair will be appointed by the board. In the absence of the Chair the members present will appoint a Chair for a meeting.

The RAC will report to each meeting of the full board.

The committee will meet at least quarterly, in person or by electronic means. The committee Chair will approve the agenda for the committee's meetings, and any member may suggest items for consideration. Briefing materials will be provided to the committee as far in advance of meetings as practicable.

A meeting may begin or conclude with an executive session of the committee, with members of management absent.

As part of its responsibility to foster open communication, the committee will meet periodically with management, the officer responsible for audit, and the independent auditor in separate sessions.

### **Responsibilities and duties**

To fulfil its responsibilities and duties, the RAC will:

- Assist to set the tone and develop an organisation culture to risk, promote open discussion regarding risk, integrate risk management into the organisation's goals and

create a corporate culture such that people at all levels manage risks rather than avoid, personally shoulder or heedlessly take them.

- Provide input to management regarding the enterprise's risk appetite<sup>1</sup> and tolerance and, ultimately, approve risk appetite and the statement of risk appetite and tolerance messaged throughout the company.
- Monitor the organisation's risk profile - its on-going and potential exposure to risks of various types.
- Approve the risk management policy and plan.
- Consider and approve an audit policy and plan.

Management should develop both the risk and audit management policy and plan for approval by the committee and/or Board.

**The risk and audit management policy** should set the tone for risk management in the company and should indicate how risk management will support the company's strategy. The risk management policy should include the company's definitions of risk and risk management, the risk management objectives, the risk approach and philosophy, as well as the various responsibilities and ownership for risk management within the company.

The audit policy and plan should provide the company's definitions and philosophy for internal and external audit to verify the integrity of key processes of the company.

**The risk and audit management plan** should consider the maturity of the risk and audit management practices of the company and as it matures, may include;

- the company's risk management structure
- the risk management framework adopted i.e. the approach followed, for example, AS/NZS ISO 31000:2009 Risk management - Principles and guidelines or other standard or guidelines
- the standards and methodology adopted – this refers to the measurable milestones such as tolerances, intervals, frequencies, frequency rates, etc
- reference to integration through, for instance, training and awareness programmes
- details of the assurance and review of the risk management process, and
- reference to relevant audit standards appropriate to the company.

### **Risk and Audit Review**

The committee should review the risk and audit management plan at least once a year. It should;

- Review and confirm that all responsibilities outlined in the charter have been carried out.
- Periodically review and evaluate the company's policies and practices with respect to risk assessment and risk management and annually present to the full board a report summarising the committee's review of the company's methods for identifying, managing, and reporting risks and risk management deficiencies.
- Monitor all enterprise risks; in doing so, the committee recognises the responsibilities delegated to other committees by the Board, if any, and understands that the other committees may emphasise specific risk monitoring through their respective activities.
- Oversee the risk program/interactions with management.

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<sup>1</sup> Risk appetite is the amount of risk, on a broad level, an organization is willing to accept in pursuit of value. Each organization pursues various objectives to add value and should broadly understand the risk it is willing to undertake in doing so.

- Review and approve the risk management infrastructure and the critical risk management policies adopted by the organisation.
- Continually, as well as at specific intervals, monitor risks and risk management capabilities within the organisation, including communication about escalating risk and crisis preparedness and recovery plans.
- Continually obtain reasonable assurance from management that all known and emerging risks have been identified and mitigated or managed.
- Discuss with the CEO and management the company's major risk exposures and review the steps management has taken to monitor and control such exposures, including the company's risk assessment and risk management policies.
- Review and assess the effectiveness of the company's enterprise-wide risk assessment processes and recommend improvements, where appropriate.
- In coordination with the executive and audit officers, understand how the company's internal and external audit work plan is aligned with the risks that have been identified.
- Conduct an annual performance assessment relative to the risk committee's purpose, duties, and responsibilities; consider a mix of self-and peer evaluation.

### **Reporting**

- Agree to the risk-related management reports that the committee could receive regarding the full range of risks the organisation faces, as well as their form and frequency.
- Respond to reports from management so that management understands the importance placed on such reports by the committee and how the committee views their content.
- Read and provide input to the Board regarding risk disclosures in financial statements and other public statements regarding risk.
- Keep risk on both the full Board's and management's agenda on a regular basis.
- Coordinate, along with the full Board, relationships and communications with regard to risk.
- Disclose in the company's Annual Report how it has satisfied itself that risk assessments, responses and interventions are effective.

### **Charter review**

- Review the charter at least annually with the Board and update it as needed to respond to new risk-oversight needs and any changes in regulatory or other requirements.
- Review and approve the management-level risk committee charter, if applicable.
- Perform any other activities consistent with this charter, the company's bylaws, and governing laws that the board or RAC determines are necessary or appropriate.