

# Finance and Risk Committee

## Charter

October 2018

# Finance and Risk Committee Charter

*Approved by Council on 25 October 2018.*

## 1. Role

- 1.1. The Finance and Risk Committee is a subcommittee of Council and is established to assist Council in discharging its corporate governance responsibilities in relation to:
  - 1.1.1. considering the reliability and integrity of financial information for reporting by the Society;
  - 1.1.2. considering the integrity of the Society's internal control framework;
  - 1.1.3. considering the effective management of the Society's investments;
  - 1.1.4. maximising the effectiveness of the Society's risk management framework; and
  - 1.1.5. considering compliance with applicable laws, regulations, standards and best practice guidelines relating to finances, audit, investment and risk.

## 2. Responsibilities

- 2.1. Financial reporting:
  - 2.1.1. oversee the quarterly management reporting process and review the annual financial statements prior to their submission to Council;
  - 2.1.2. review significant accounting and reporting issues and understand their impact on the financial statements;
  - 2.1.3. meet with management and the external auditors to review the Society's financial statements, key accounting policies and decisions and the results of the audit;
  - 2.1.4. review the effectiveness of the system for monitoring compliance with laws, regulations and internal policies; and
  - 2.1.5. obtain regular updates from management about compliance matters that may have a material impact on the Society's financial statements, operations or reputation.
- 2.2. Working with the external auditors:
  - 2.2.1. review the external auditors' proposed audit scope and approach for the current year in the light of the Society's circumstances and changes in regulatory and other requirements;
  - 2.2.2. discuss with the external auditors any audit problems encountered in the normal course of audit work including access to information;
  - 2.2.3. ensure that significant findings and recommendations made by the external auditors and management's proposed response are received, discussed and acted on appropriately;
  - 2.2.4. ensure the external auditors have access to the chair of the Finance and Risk Committee and QLS management when required; and
  - 2.2.5. if practicable, meet separately with the external auditors at least once a year to discuss any matters that the committee or auditors believe should be discussed privately.

- 2.3. Internal control:
  - 2.3.1. ensure management has documented its accounting policies and procedures and has appropriate processes for identifying, assessing and responding to risks in a manner that is in accordance with the Society's risk profile as determined by Council and that those processes are operating effectively;
  - 2.3.2. understand the internal control systems implemented by management for the approval of transactions and the recording and processing of financial data;
  - 2.3.3. understand the controls and processes implemented by management to ensure that the financial statements derive from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate management review;
  - 2.3.4. evaluate the overall effectiveness of the internal control and risk management frameworks and consider whether management has implemented recommendations made by the external auditors; and
  - 2.3.5. evaluate contingency plans for processing financial information in the event of a systems breakdown and controls implemented by management to protect against computer fraud or misuse.
- 2.4. Risk management:
  - 2.4.1. review the risk management mitigations;
  - 2.4.2. quarterly review of the risk register and consequential risk management strategies;
  - 2.4.3. oversee the development of a fraud and corruption prevention policy and register;
  - 2.4.4. oversee the Society's insurance cover;
  - 2.4.5. review regular work health and safety reports to ensure that WHS risks are being appropriately managed;
  - 2.4.6. review the details of any major risk event or compliance breach;
- 2.5. Investments:
  - 2.5.1. develop and annually review investment policies to apply to funds and assets held by the Society, the Law Claims Levy Fund and the Legal Practitioners' Fidelity Guarantee Fund;
  - 2.5.2. monitor investment performance to ensure the Society's objectives as set out in investment policies applying to funds and assets held by the Society, the Law Claims Levy Fund and the Legal Practitioners' Fidelity Guarantee Fund are met;
  - 2.5.3. review and recommend to Council investment strategies for funds and assets held by the Society, the Law Claims Levy Fund and the Legal Practitioners' Fidelity Guarantee Fund in line with investment policies approved by Council;
  - 2.5.4. consider the Society's investment consultants reports at least on a quarterly basis;
  - 2.5.5. meet with the Society's investment consultants at least once a year to discuss the performance of investment managers and return on investments; and
  - 2.5.6. report annually to Council on the investment consultant's performance.

- 2.6. An investment, for the purpose of clause 2.5, includes oversight of the following funds and assets including, but not limited to:
- 2.6.1. real property owned by the Society that is situate at 179 Ann Street, Brisbane;
  - 2.6.2. shares held in Lexon Insurance Pte Ltd;
  - 2.6.3. the Law Claims Levy Fund;
  - 2.6.4. the Legal Practitioners' Fidelity Guarantee Fund;
  - 2.6.5. the Society's funds not referred to in 2.6.1 to 2.6.4; and
  - 2.6.6. the Society's assets not referred to in 2.6.1 to 2.6.4.

### **3. Authority**

- 3.1. Council authorises the committee, within the scope of its responsibilities, to:
- 3.1.1. perform activities within the scope of the charter;
  - 3.1.2. engage independent counsel and other advisers as it deems necessary to carry out its duties;
  - 3.1.3. encourage attendance of Society employees at meetings as appropriate;
  - 3.1.4. have unrestricted access through the chief executive officer to members of management, employees and relevant information;
  - 3.1.5. have unrestricted access to the auditors;
  - 3.1.6. establish procedures for dealing with concerns of employees regarding accounting, internal control, fraud, corruption and auditing matters;
  - 3.1.7. establish procedures for the receipt, retention and treatment of complaints received by the Society regarding investments, internal control, accounting and audit matters; and
  - 3.1.8. have direct responsibility for oversight of the work of the external auditors including authority to approve all audit engagement fees.

### **4. Composition**

- 4.1. The committee will comprise:
- 4.1.1. an independent chair;
  - 4.1.2. the president, deputy president (if any), vice president (if any) and immediate past president (if any); and
  - 4.1.3. at least two additional members who are current councillors.
- 4.2. The role of a committee member is set out at Attachment 1.
- 4.3. The committee will be constituted at the first meeting of a new Council (every two years). Committee members are appointed by Council for a term of two years, apart from the immediate past president who will only serve one year. An incumbent committee member may seek reappointment for another term.
- 4.4. Council is unlikely to approve reappointment of a committee member for more than three consecutive terms, apart from the immediate past president who may be reappointed to continue for one additional year after their presidency notwithstanding they have served three consecutive terms.

- 4.5. Membership of the committee is to be confirmed annually by the Council.
- 4.6. When considering appointment of current councillors as members of the committee, Council should take into account the following:
  - 4.6.1. committee members must be independent and not have relationships, whether personal or business, which may compromise their independence;
  - 4.6.2. the role requires a considerable time commitment and committee members must be able to devote sufficient time and energy to their responsibilities;
  - 4.6.3. committee members must have the ability to understand the principles that underpin the preparation of financial statements;
  - 4.6.4. desirable skills and experience for committee members include broad business experience, familiarity with risk management identification and evaluation, an understanding of major accounting and reporting issues and an understanding of the role of external auditors.
- 4.7. If a committee member resigns from the committee during their term, Council may appoint a new member from the current councillors to the casual vacancy.
- 4.8. If a committee member is the subject of a legal professional disciplinary or criminal charge, then that member must stand down from the committee pending resolution of the matter. Membership of the committee is automatically terminated if a person is found guilty of a charge of unsatisfactory professional conduct or professional misconduct.
- 4.9. If:
  - 4.9.1. a committee member is absent for three consecutive meetings without a leave of absence being granted by the chair; or
  - 4.9.2. the chair, upon resolution of the committee, determines that the member is otherwise regarded as not being an effective member then the chair must recommend to the Council that the membership of the committee member be terminated.
- 4.10. Membership of the committee may be terminated by Council if Council considers that a committee member has failed to discharge his or her duties under, or acted inconsistently with, the role of a committee member as detailed in Attachment 1 (including breaching confidentiality of committee discussions) or otherwise brought the Society or the committee into disrepute.

## 5. Chair

- 5.1. The Council appoints an independent chair of the committee.
- 5.2. The chair is not a member of the Council.
- 5.3. The chair is responsible for providing leadership to the committee in fulfilling its duties and responsibilities under this charter, and in doing so at a very high and effective level of performance.
- 5.4. The chair is required to:
  - 5.4.1. be independent;
  - 5.4.2. be financially literate and to be a qualified accountant holding a current qualification (FCA, CA or CPA);
  - 5.4.3. have a sound understanding of the Australian Financial Reporting obligations of Officers and Directors in accordance with the *Corporations Act 2001*;
  - 5.4.4. have an understanding of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009* (FPMS);
  - 5.4.5. have a sound and working understanding of capital adequacy and suitable investment strategies for the current and future needs of the Society;

- 5.4.6. have a sound and working understanding of the capital adequacy and suitable investment strategies for a captive insurer providing mandated professional indemnity insurance to the legal profession;
- 5.4.7. be able to effectively review, interpret and facilitate appropriate discussion and understanding of the investment performance of the Society's investment portfolio to Council;
- 5.4.8. provide advice and counsel on matters relating to the responsibilities of the committee to:
  - 5.4.8.1. the CEO, CFO or other members of the executive leadership team;
  - 5.4.8.2. the Council; and
  - 5.4.8.3. the external auditors.
- 5.5. The chair will be appointed by Council based on a selection and recruitment process managed by Society staff.
- 5.6. The chair will be responsible for leading and managing the committee in carrying out its responsibilities. Further detail on the role of the chair is at Attachment 2.
- 5.7. It is estimated the chair will be required to commit approximately 40 to 60 hours per year to the role.
- 5.8. The chair will be engaged on contract and their term will be the term of the contract. Renewal of the contract must be approved by Council.
- 5.9. The chair will be paid an annual sum determined by the CEO in consultation with the Corporate Secretary, paid in monthly instalments on presentation of invoices.
- 5.10. A chair can be removed from the position by Council if Council is satisfied that the chair has failed to discharge his or her duties under, or acted inconsistently with, the role of a chair as detailed in Attachment 2, or otherwise brought the Society or the committee into disrepute or breached the terms of the contractual arrangement.

## **6. Meetings**

- 6.1. The committee will meet at least three times a year. Meetings will correspond with the Society's financial reporting cycle. Special meetings may be convened as required.
- 6.2. Committee papers are provided to committee members, wherever possible, seven days prior to the relevant meeting.
- 6.3. It is the Society's policy to encourage the participation of committee members in meetings by appropriate means, including by facilitating and encouraging attendance by phone or electronic or digital means where attendance in person is not possible or inconvenient.
- 6.4. The quorum of any meeting will be three members.

## **7. Voting**

- 7.1. Any matters requiring decision will be decided by a majority of votes of members present or participating.

## 8. Conflicts of interest

- 8.1. If a committee member has a personal interest, or a direct or indirect financial interest, in an issue being considered or about to be considered by the committee and the interest could conflict with the proper performance of the member's duties about the consideration of the issue, the member must disclose the nature of the interest to a committee meeting.
- 8.2. Unless the chair otherwise directs, the interested member must not be present when the committee considers the issue or take part in a decision of the committee about the issue.
- 8.3. The interested member must not be present when the committee is considering whether to excuse them from committee discussions on the issue.
- 8.4. Any disclosure of a conflict of interest must be recorded in the minutes of the meeting.

## 9. Confidentiality

- 9.1. All committee members and invited guests are expected to observe strict rules of confidentiality with respect to committee business. They must be conscious that from time to time:
  - 9.1.1. they may be asked to consider and comment on highly sensitive documents released to the Society by government and other authorities;
  - 9.1.2. they may be asked to consider draft policy proposals intended for debate within the committee which should not be presumed to reflect approved Society policy;
  - 9.1.3. they may have before them information which may affect the reputation and livelihood of practitioners and other members of the community.
- 9.2. Any breach of confidentiality could materially affect individuals, damage the trust which exists between the Society and a number of institutions and organisations, or create false impressions about Society policy.
- 9.3. It is the responsibility of all committee members and invited guests to maintain the security of committee papers and to treat as confidential any information received through their involvement with the committee. Failure to maintain appropriate confidentiality of Society information and committee discussions may result in termination of committee membership pursuant to paragraph 4.10.
- 9.4. Failure to maintain appropriate confidentiality of Society information and committee discussions may breach section 705 of the *Legal Profession Act 2007*, which is an offence subject to a maximum penalty of 200 penalty units.

## 10. Media

- 10.1. Any media must be managed in accordance with the Society's media policy as in force and amended from time to time.

## **11. Stakeholder liaison**

- 11.1. The president must approve any correspondence or communication that contains a position, recommendation, opinion or view of the Society. Such correspondence or communication must be sent out under the president's hand.
- 11.2. The chair, or committee members approved by the committee, may liaise with stakeholders on behalf of the committee provided they have the committee and committee secretary's knowledge and approval.
- 11.3. Any stakeholder liaison by committee members in that capacity must be conducted in accordance with the Society's core values of respect, integrity and service.
- 11.4. Any stakeholder liaison undertaken on behalf of the committee must be reported back to the committee at its next meeting.

## **12. Guests**

- 12.1. The CEO and CFO will be invited to attend every meeting.
- 12.2. The committee may have at its meetings other regular or ad hoc guests who may bring relevant perspectives and expertise on matters under consideration, for example:
  - 12.2.1. the committee will meet with the Society's external auditors at the conclusion of the annual audit of the Society's financial statements and at other times during the year as necessary;
  - 12.2.2. the Society's investment advisers will be invited to present on investment strategy and performance at least once per year.
- 12.3. The CEO and General Manager, Finance will be provided with the meeting agendas and minutes when those are provided to the committee.
- 12.4. Other guests do not have an automatic right of access to the committee's papers (which includes agendas and minutes). Access to the committee's papers is at the discretion of the committee secretary, in consultation with the chair.
- 12.5. Guests (including Society staff) have no voting rights at meetings.

## **13. Secretariat duties**

- 13.1. The corporate secretary will be the committee secretary and will assist the chair by organising the venue for the meeting, producing the notice of meeting, agenda and papers, and taking and circulating the minutes of the meeting.

## **14. Minutes**

- 14.1. Minutes must be prepared, approved by the chair and circulated to committee members as soon as possible and not later than two weeks after the meeting. The minutes must be ratified by the members and signed by the chair.



## **15. Access to advice**

- 15.1. The committee may seek independent professional advice as it considers necessary. Any such independent advice will be at the Society's expense, subject to prior consultation with the president and CEO.
- 15.2. A copy of any advice received will be made available to all councillors.

## **16. Reporting to Council**

- 16.1. The minutes of each committee meeting will be circulated with the papers of the next Council meeting.
- 16.2. The committee must convey any significant concerns that the external auditor has to the Council immediately.
- 16.3. The committee will ensure that Council is aware of matters that may significantly affect the financial condition or operations of the Society.

## **17. Reviews**

- 17.1. The committee will perform an annual evaluation of its performance. The review may be conducted as a self-assessment and will be coordinated by the chair. The assessment may seek input from any person and will consider the committee's compliance with this charter and any aspects of this charter that are recommended for review by Council.
- 17.2. Council will evaluate the performance of the committee as appropriate. Council may review the committee's charter at any time.

# Your role as a committee member

## Overview

The position of member of a committee is a voluntary and honorary role which brings necessary skills, knowledge and effort to support the committee in fulfilling its role.

A committee member occupies a position of trust, confidence and influence within the committee and the Society. It is important that members conduct themselves in a manner that will maintain and enhance that trust, confidence and influence.

The Society's three core values underpin the performance of your role as a committee member. These are:

1. respect;
2. integrity; and
3. service.

## Respect

Demonstrating respect in carrying out the activities as a committee member involves valuing people and acknowledging their contributions. It involves:

1. being polite and courteous in all actions;
2. treating committee members, Society staff, stakeholders and others with dignity; and
3. valuing the contributions, opinions and diversity that other members, guests and stakeholders bring to the committee's work.

## Integrity

In your role with the committee you have a responsibility to demonstrate integrity by being honest and fair in all your actions. This includes:

1. being accountable to the committee and to the Society for your actions as a committee member;
2. being honest and fair in your dealings with the committee, the Society, other Society members and stakeholders; and
3. following through with your promises in a timely manner.

## Service

By performing your role as a committee member, you are providing a valuable service to the Society, the profession and the public. In your role you must work together with the committee to anticipate needs, exceed expectations and honour commitments. You should:

1. actively listen and respond to member and stakeholder concerns;
2. play your part to ensure meetings and tasks are undertaken efficiently and with respect for others' time commitments; and
3. look for new ways to do things better and work with the Society to continually improve the operation of the committee.

## Other obligations

1. You must be scrupulous in your use of confidential information and ensure that privacy principles are maintained.
2. You must disclose any potential conflict of interest.
3. Your decision making must be fair and consistent, based on all relevant information and honest, open and impartial.
4. Harassment, discrimination and bullying are unacceptable from any committee member or anyone involved with the Society. The duties under the *Work Health and Safety Act 2011* apply to all committee members in the conduct of their roles.
5. When using the Society's premises or facilities, you must ensure that you comply with all rules, directions and procedures including those relating to security and work health and safety which are in effect at those premises or in regard to those facilities.
6. You must act professionally at all times in the performance of committee duties, exercising skill, care and diligence.
7. In discharging your duties and responsibilities under the Charter, you must be aware of any potential consequences that may result in a lack of compliance.

Committee members should:	Committee members should not:
Attend meetings (in person or via technology) wherever possible	Consider meeting attendance optional
If unavailable to attend, provide a written apology to the meeting organiser two clear business days prior to the meeting	Be a 'no show'
Review all relevant materials and papers in advance of the meeting	Turn up unprepared
Provide thoughtful and timely input	Ignore emails circulated between meetings
Work toward fulfilling the committee and Society's objectives	Run their own agenda
Carry out tasks assigned by the chair	Commit to contributing and then not follow through
Respect the role of the president and CEO as primary public spokespeople for the Society	Represent personal views as the views of the Society
Focus on the Society's best interests	Pursue personal, stakeholder or firm interests

# Your role as committee chair

The chair of the committee will be appointed by Council. The chair's role is to lead the committee in fulfilling its role and complying with its charter.

The role of chair of the Finance and Risk Committee will have a position description and engagement contract, which are the primary sources of information about the role of the chair. The following expectations do not replace those in the position description or engagement contract.

## Responsibilities

1. Accept and support the committee charter.
2. Plan meetings and agendas in collaboration with the Society's staff member assigned to support the committee (committee secretary / policy solicitor).
3. Attend all meetings and maintain awareness of committee work between meetings.
4. Ensure meetings are efficiently and effectively administered to achieve committee objectives.
5. Maintain records of committee work with the assistance of the Society's staff member assigned to support the committee (committee secretary / policy solicitor).
6. Facilitate committee members' active participation and decision-making.
7. Resolve committee member issues and complaints wherever possible.
8. Ensure that the committee reports to Council in accordance with the charter.
9. Lead self-assessment of committee performance.

## Tips for meetings

1. Begin on time.
2. At the commencement of each meeting, quickly complete the following administrative tasks:
  - a. confirm the attendees (whether in person or via teleconference) and the apologies;
  - b. ask the committee to review and confirm the minutes of the previous meeting, or agree on any changes to be made before they are confirmed;
  - c. ask committee members if there are any material interests to be declared relating to any of the agenda items.
3. Do not pass out a lot of new material during the meeting. People will not have time to read it, and it distracts from good discussion.
4. Focus on the resolutions required of the meeting, ensure that all participants have adequate time to contribute, listen carefully to all contributions, and obtain agreement on decisions taken and future plans.
5. Remind committee members and guests of their confidentiality obligations at the end of the meeting.
6. Close the meeting on time.

## Using teleconferencing or videoconferencing

1. As the chair, call on the people on the telephone or videoconference to express a view on each agenda item: "Sarah, what do you think about this?"
2. Do not allow side conversations. Ask members to speak one at a time.
3. If using teleconferencing, ask members to say who they are before they make their point.
4. Make sure those calling or linking in have access to all of the materials being referred to at the meeting.

<b>A chair is encouraged to:</b>	<b>A chair should not:</b>
Value all members	Be the person who talks most at the meetings
Enable everyone to voice their view	Allow one or two people to dominate meetings
Strive for consensus	Make all the decisions
Encourage new committee membership	Exclude any member from discussions
Ensure discussions are targeted to achieving a resolution or outcome	Allow meetings to become unproductive
Welcome new members	Make people feel uncomfortable
Allow others to take responsibility	Coerce members to contribute to discussions
Keep calm	Lose his/her temper
Take the lead in written work, if necessary	Be afraid to delegate matters to appropriate members
Be responsive to the Society's staff to resolve issues in a timely way	Assume the Society's staff will do all the work