

**OFFICIAL**



Australian Government  
Australian Accounting Standards Board



Australian Government  
Auditing and Assurance Standards Board

**Audit and Risk Committee  
Charter  
May 2020**

**OFFICIAL**

**OFFICIAL**

**Version Control**

<b>Title</b>	Audits and Risk Committee Charter			
<b>Description</b>	Charter incorporating model charter elements as suggested by the Department of Finance			
<b>Created By</b>	Lisa Geier			
<b>Date Created</b>	November 2018			
<b>Maintained By</b>	Lisa Geier on behalf of the ARC			
<b>Version Number</b>	<b>Modified By</b>	<b>Modifications Made</b>	<b>Date Modified</b>	<b>Status</b>
1.1	LG	Incorporation of model charter responsibilities	Nov 2018	Complete
1.2	DP	Review	Dec 2018	Complete
2.1	SA	ARC Chair review	Jan 2019	Complete
2.2	LG	Incorporation of feedback	Feb 2019	Complete
2.3	DP	ND Review - consideration of comments and feedback	Feb 2019	Complete
3.1	SA	Chair Review	Feb 2019	Complete
3.2	ARC	Table for discussion	Feb 2019	Complete
3.3	KP, RS	Chairs approval	Feb 2019	Complete
4.1	LG	Update for amendments to PGPA Rule	May 20	Complete
4.2	ARC	Table	May 20	Complete
4.3	KK,RS	Chairs approval	May 20	Complete

# Charter

The AASB/AUASB Chairs have established an Audit and Risk Committee in compliance with subsection 45(1) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) and the associated rules (subsection 4(2)).

The PGPA Rule section 17(1) sets out that the accountable authority must determine the functions of the Audit and Risk Committee for each Commonwealth Entity by written charter. For the purposes of complying with PGPA Rule section 17(1) this Charter applies to both AASB/AUASB.

## Role

The Audit and Risk Committee's (the Committee) role is to provide independent advice and assistance to the AASB/AUASB Chairs on the AASB/AUASB financial and performance reporting responsibilities, risk oversight and management, and system of internal control.

The Committee is not responsible for the executive management of these functions. The committee will engage with management in a constructive and professional manner in discharging its advisory responsibilities and formulating its advice to the AASB/AUASB Chairs.

The Committee has no executive powers, except those expressly provided by the Finance Minister's Orders or delegated to it by the AASB/AUASB Chairs. The functions of the Committee may be revised or expanded in consultation with, or as requested by, the AASB/AUASB Chairs from time to time.

The Committee is directly responsible and accountable to the AASB/AUASB Chairs for the exercise of its functions. In carrying out its functions, the Committee must at all times recognise that primary responsibility for management of the AASB/AUASB rests with the AASB/AUASB Chairs.

Members of the committee are expected to understand and observe the legal requirements of the PGPA Act and rules. Members are also expected to;

- act in the best interests of the AASB/AUASB as a whole;
- apply good analytical skills, objectivity and good judgment;
- express opinions constructively and openly, raise issues that relate to the committee's responsibilities and pursue independent lines of enquiry; and
- contribute the time required to meet their responsibilities.

Committee members must not use or disclose information obtained by the Committee except in meeting the Committee's responsibilities, or unless expressly agreed by the AASB/AUASB Chairs.

**Authority**

The AASB/AUASB Chairs authorises the Committee, in accordance with its role and responsibilities, to:

- obtain any information it requires from any official or external party (subject to any legal obligation to protect information);
- discuss any matters with the ANAO, or other external parties (subject to confidentiality considerations);
- request the attendance of any official, including the AASB/AUASB Chairs, at committee meetings; and
- obtain legal or other professional advice, as considered necessary to fulfil its role, at the AASB/AUASB expense, subject to approval by the AASB/AUASB Chairs, or delegate.

**Membership**

The Committee comprises three members, appointed by the AASB/AUASB Chairs. **Members of the Committee must not be officials of the AASB/AUASB and a majority of the members must be persons who are not officials of any Commonwealth Entity.**

The AASB/AUASB Chairs will appoint the Chair of the Committee.

The Committee is authorised to appoint a Deputy Chair who will act as Chair where required.

The AASB/AUASB Chairs, National/Managing Director and Finance and Compliance Manager, or other management representatives may attend meetings as advisers or observers, as determined by the Chair, but will not be members of the Committee.

A representative(s) of the ANAO will be invited to attend meetings of the Committee, as an observer.

Committee members, taken collectively, will have a broad range of skills and experience relevant to the operations of the AASB/AUASB. At least one member of the Committee will have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment.

Committee members will be appointed for an initial period determined by the AASB/AUASB Chairs. Members may be re-appointed after a formal review of their performance, for further periods as specified by the AASB/AUASB Chairs.

**Functions<sup>1</sup>**

For each function a number of specific responsibilities are listed for consideration by the AASB/AUASB Chairs.

The extent of responsibilities to be undertaken is a matter or decision by the AASB/AUASB Chairs. In setting the Committee Charter, it is expected that the views of the Committee would be sought. The extent of detail to be included in the Committee's Charter or

---

<sup>1</sup> PGPA Act Rule section 17 states that the functions of an audit committee must include reviewing the appropriateness of the accountable authority's: financial reporting; performance reporting; system of risk oversight and management; and system of internal control. As such these functions are mandatory.

## **OFFICIAL**

contained in a supporting work program is also a matter to be settled by the AASB/AUASB Chairs generally in consultation with the Committee. The charter should, nevertheless, contain sufficient detail to ensure the Committee and other stakeholders are clear about the committee's functions and responsibilities.

Consideration of the committee's functions and underpinning responsibilities could be expected to take into account the AASB/AUASB broader governance framework, the extent and level of assurance sought by the AASB/AUASB Chairs, and the level of maturity of the AASB/AUASB control and assurance arrangements.

For the purposes of this Charter the Department of Finance Model audit committee charter has been considered and where appropriate adopted.

Financial reporting

Review the appropriateness of the financial reporting and provide advice to the AASB/AUASB Chairs; including recommending the financial statements be signed by the AASB/AUASB Chairs.

In particular, the committee will review:

- annual financial statements;
- information (other than annual financial statements) requested by Finance in preparing the Australian Government's consolidated financial statements, including the supplementary reporting package;
- processes and systems for preparing financial reporting information;
- financial record keeping;
- processes in place to allow the entity to stay informed throughout the year of any changes or additional requirements in relation to the financial reporting.

The Committee will provide a statement to the AASB/AUASB Chairs confirming;

- whether the annual financial statements, in the committee's view, comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance;
- whether additional entity information (other than financial statements) required by Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package) complies with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance;
- in respect of the appropriateness of the entity's financial reporting as a whole, advice and or guidance on any specific areas of concern or suggestions for improvement.

The Committee will;

- act as a forum for communication between management and the ANAO
- review the processes in place designed to ensure that financial information included in the annual report is consistent with the signed financial statements, and
- discuss with the ANAO the auditor's judgments about the adequacy of the accounting policies and the quality of the AASB/AUASB processes for the preparation of the financial statements.

Performance reporting

The Committee will review;

- the appropriateness of the performance reporting
- systems and procedures for assessing, monitoring and reporting on achievement of the AASB/AUASB's performance. In particular, the committee should satisfy itself that;
  - the AASB/AUASB's Portfolio Budget Statements and corporate plan contain appropriate details of how the entities performance will be measured and assessed;
  - the approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and corporate plan is appropriate and in accordance with the Commonwealth performance framework. This may include reviewing, over time, particular elements of the performance measures;
- that the AASB/AUASB has appropriate systems and processes for preparation of its annual performance statement, their appropriateness to the entity and inclusion of the statement in its annual report.

The Committee is to provide a statement to the AASB/AUASB Chair as to whether, in their view, the annual performance statements and performance reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

Systems of risk oversight and management

The Committee will

- review the appropriateness of the enterprise risk management framework and associated procedures for effective identification and management of the AASB/AUASB business and financial risks
- gain an understanding of the risk appetite, the operating environment and compliance with mandatory requirements of the PGPA Act, the PGPA Rule, the Commonwealth Risk Management Policy and also other supporting advice.
- review and provide advice on the appropriateness of the AASB/AUASB's:
  - enterprise risk management policy framework and the necessary internal controls for the effective identification and management of the entity's risks, in keeping with the Commonwealth Risk Management Policy;
  - approach to managing the entity's key risks—including those associated with individual projects and program implementation and activities;
  - process for developing and implementing the entity's fraud control arrangements consistent with the fraud control framework, and satisfy itself that the entity has adequate processes for detecting, capturing and

effectively responding to fraud risks;

- articulation of key roles and responsibilities relating to risk management and adherence to them by officials of the entity

The Committee will provide a statement to the AASB/AUASB Chairs whether in their view, the AASB/ AUASB system of risk oversight and management as a whole is appropriate with reference to the Commonwealth Risk Management Policy and any specific areas of concern or suggestions for improvement.

## System of internal control

The Committee will review and provide advice on the appropriateness of the accountable authority's:

Internal Control Framework, including

- management's approach to maintaining an effective internal control framework and whether appropriate processes are in place for assessing whether key policies and procedures are complied with,
- whether management has in operation relevant policies and procedures—such as accountable authority instructions, delegations, a business continuity management plan, or bullying and harassment policies.

Security compliance; including

- management's approach to maintaining an effective internal security system—including complying with the Protective Security Policy Framework—and ICT security policy.

Business continuity management

- satisfy itself that a sound approach has been followed in establishing business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

Ethical and lawful behaviour

- assess whether management has taken steps to embed a culture that promotes the proper use and management of Commonwealth resources and is committed to ethical and lawful behaviour.

Internal audit<sup>2</sup>

- advise the AASB/AUASB Chairs, where appropriate, on the appointment of relevant external expert resources to carry out testing of the AASB/AUASB's risk management, control framework or legislative compliance; and
- agree the scope and reporting format for such an exercise; consider the findings of any report and monitor the implementation of any corrective actions

Legislative and policy compliance

- review the effectiveness of the system for monitoring compliance with those

<sup>2</sup> It is recognised that the size and scope of the activities of the AASB/AUASB are not extensive enough to warrant the appointment of an internal auditor. However, where external resources are engaged to assist the AASB/AUASB to assess the effectiveness of its risk management, control framework or legislative compliance these responsibilities will be relevant.

laws, regulations and associated government policies with which the AASB/AUASB must comply;

- review, where relevant, [the AASB/AUASB] compliance with International Conventions, particularly the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions;
- determine whether management has appropriately considered legal and compliance risks as part of the AASB/AUASB enterprise risk management plan; and
- provide advice to the AASB/AUASB Chairs regarding the issue of the AASB/AUASB annual Certificate of Compliance, or equivalent report.

### Other functions

The Committee may undertake other functions agreed with the AASB/AUASB Chairs, including:

#### Governance arrangements

- periodically review the AASB/AUASB governance arrangements or elements of the arrangements as determined by the AASB/AUASB Chairs and suggest improvements, where appropriate, to the AASB/AUASB Chairs.

#### Parliamentary committee reports and external reviews:

- satisfy itself that the AASB/AUASB has appropriate mechanisms in place to review and implement, where appropriate, relevant parliamentary committee reports and external reviews of the AASB/AUASB, and recommendations arising from these reports and reviews.

### Engagement with the ANAO

In undertaking its role, the committee will engage with the ANAO, as the AASB/AUASB external auditor, in relation to the ANAO's financial statement and performance audit coverage. In particular, the committee will:

- provide input on planned ANAO financial statement and performance audit coverage;
- monitor management's responses to all ANAO financial statement management letters and performance audit reports, including the implementation of audit recommendations;
- provide advice to the AASB/AUASB Chairs on action to be taken on significant issues raised in relevant ANAO reports or better practice guides; and
- meet privately with the ANAO at least once per year.

**Annual Work Plan**

The Committee will prepare a work plan that outlines the activities to be undertaken to achieve the Committee's functions and detailing actions to be taken.

**Reporting**

The Committee will, as often as necessary, and at least once a year<sup>3</sup>, report to the AASB/AUASB Chairs on its operation and activities during the year and confirm that all functions outlined in this charter have been satisfactorily addressed.

The Committee may, at any time, report to the AASB/AUASB Chairs 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 AASB/AUASB Chairs.

**Administrative arrangements**

**Meetings**

The committee will meet at least four times per year. One or more special meetings may be held to review the annual financial statements and performance statements or to meet other specific responsibilities of the committee.

The Chair is required to call a meeting if asked to do so by the AASB/AUASB Chairs and decide if a meeting is required if requested by another member, or the ANAO.

**Planning**

The committee will develop a forward meeting schedule that includes the dates, location, and proposed agenda items for each meeting for the forthcoming year, and that covers all the functions outlined in this charter.

**Quorum**

A quorum will consist of a majority of Committee members. The quorum must be in place at all times during the meeting.

**Secretariat**

The AASB/AUASB Chairs, in consultation with the Committee, will appoint a person to provide secretariat support to the Committee.

The secretariat will;

- ensure the agenda for each meeting is approved by the Chair;
- the agenda and supporting papers are circulated, at least one week before the meeting; and
- ensure the minutes of the meetings are prepared and maintained. Minutes must be reviewed by the Chair and circulated in a timely manner to each member and committee advisers and observers, as appropriate.

---

<sup>3</sup> At its February 2010 meeting the committee decided, with the agreement of the AASB/AUASB Chairs, that minutes kept for meetings of the Audit Committee were a sufficient form of report for the purpose of this requirement of the Charter.

**Conflicts of interest**

Once each year, members of the committee will provide written declarations, through the Chair, to the AASB/AUASB Chairs declaring any material personal interests they may have in relation to their responsibilities. External members should consider past employment, consultancy arrangements and related party issues in making these declarations and the AASB/AUASB Chairs, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each committee meeting, members are required to declare any material personal interests that may apply to specific matters on the meeting agenda. Where required by the Chair, the member will be excused from the meeting or from the committee's consideration of the relevant agenda item(s). The Chair is also responsible for deciding, in consultation with the AASB/AUASB Chairs where appropriate, if a member should excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s). Details of any material personal interests declared by the Chair and other members, and actions taken, will be appropriately recorded in the minutes.

**Induction**

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

**Assessment arrangements**

The Chair of the Committee, in consultation with the AASB/AUASB Chairs, will undertake a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the AASB/AUASB Chairs with appropriate input sought from the AASB/AUASB Chairs, Committee members, senior management, the ANAO, and any other relevant stakeholders, as determined by the AASB/AUASB Chairs.

The Chair will provide advice to the AASB/AUASB Chairs on an external member's performance where an extension of the member's tenure is being considered.

**Review of charter**

The Committee shall review this charter every two years. This review will include consultation with the AASB/AUASB Chairs, the National Director and the Finance and Compliance Manager.

Where the subsequent review of this Charter requires substantive changes, the Committee will prepare a draft revised charter for the AASB/AUASB Chairs consideration and approval.

Approved



Dr Keith Kendall  
AASB Chair



Prof. Roger Simnett  
AUASB Chair

Date: 29<sup>th</sup> May 2020