

AUDIT, RISK AND FINANCE COMMITTEE CHARTER

Commencement date: 19 February 2021

The ACARA Board is required to establish a committee in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)* and *PGPA Rule section 17 Audit Committee for Commonwealth Entities*. The Audit, Risk and Finance Committee (the Committee) model, adopted by ACARA, draws on both the PGPA Act, and A guide for corporate Commonwealth entities on the role of audit committees from the Australian Government Department of Finance (March 2020).

1. PURPOSE

- 1.1 The Audit, Risk and Finance Committee (the Committee) has been established to provide independent advice, assurance and assistance to the ACARA Board (the Board) on ACARA's risk, control and compliance framework, financial performance and reporting, and its external financial statement responsibilities.
- 1.2 The main functions of the Committee are to:
 - a) assist ACARA and its Board members to comply with ACARA's obligations under the PGPA Act and the *Australian Curriculum, Assessment and Reporting Authority Act 2008*.
 - b) provide a forum for communication between the Board, senior managers and other employees of ACARA, and the external and internal auditors – the Australian National Audit Office and internal audit service provider respectively.
- 1.3 The Audit, Risk and Finance Committee Charter sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

2. GUIDING PRINCIPLES

- 2.1 Members of the Committee are expected to understand and observe the legal requirements of the PGPA Act and regulations. Members are also expected to:
 - a) act in the interests of ACARA
 - b) apply good analytical skills, objectivity and sound judgement
 - c) maintain confidentiality with all ACARA-related documents and information that are not publicly available or have yet to be published

d) express opinions respectfully, constructively and openly, raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry.

3. SCOPE

3.1 The Board authorises the Committee, within the scope of its role and responsibilities and with regard for the need to maintain confidentiality, to:

- a) obtain any information it needs to perform its functions
- b) discuss any matters with the external auditor, internal audit service provider, or other external parties, including obtaining external professional advice
- c) request the attendance at the Committee meetings of any person who may assist the Committee to perform its functions
- d) instigate special audits, investigations and operational reviews as needed.

4. MEMBERSHIP

4.1 The Chief Executive Officer (the CEO) (however described), the Chief Financial Officer (the CFO) (however described), the Board Secretary (however described) or any other ACARA employee may attend meetings as observers, as determined by the Committee Chair, but will not be members of the Committee.

4.2 The Committee will comprise:

- a) a minimum of two Board members
- b) between two and four non-Board members
- c) a total membership of between four and six members inclusive of the Committee Chair.

4.3 Members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of ACARA. At least two members of the Committee will have accounting or related financial management experience with an understanding of accounting and auditing standards.

4.4 The Chair of the Committee will not be the Chair of the Board.

4.5 The Chair of the Committee will be approved by the Board and appointed by the ACARA Board Chair.

4.6 The Committee is authorised to appoint a deputy chair who will act as Chair in the absence of the Committee Chair.

4.7 Representatives from internal and external audit will be invited to attend all meetings of the Committee as observers.

4.8 External expertise may be accessed to assist in the work of the Committee by invitation from the Chair of the Committee.

4.9 New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities. In undertaking its work, the Committee will seek to keep abreast of contemporary developments and leading practices in relation to its functions.

- 4.10 Before accepting the position, nominees must sign ACARA's Deed of Confidentiality.
- 4.11 Members will be asked to declare any actual, perceived or potential conflicts of interest at each meeting. Members may also disclose actual, perceived or potential conflicts in writing to ACARA's Board Secretary as and when they arise. Conflicts of interest declarations will be minuted and included as part of the report to the Board under 'Section 9. Administration' of this Charter.

5. APPOINTMENT OF MEMBERS

- 5.1 Members will be appointed to the Committee by the ACARA Board for an initial period not exceeding three years. Members may be reappointed for an additional term of three years after a review of the Committee's performance.
- 5.2 Positions of non-Board members will be considered vacant after six years' service on the Committee, and ACARA will go to market for the selection of a replacement. ACARA encourages the rotation of all positions on the Committee after six years to provide fresh perspectives and enhance the perception of independence.
- 5.3 Vacancies on the Committee do not necessarily have to be filled, provided the Committee meets the membership requirements of its Charter and the Board is satisfied that the Committee has the required skills and experience to discharge its duties.
- 5.4 Where a member of the Committee has been selected from the Board, subject to 5.5 below, their membership of the Committee also ends with their term on the Board, which under section 14 (5) of the ACARA Act 2008 is a maximum period of six years.
- 5.5 A Committee member who is waiting for formal notification of their reappointment to the Board may continue to serve on the Committee while their reappointment to the Board is formalised, and their appointment is presumed to continue following re-appointment to the Board.

6. MEETINGS

- 6.1 The Committee will meet at least four times per year – in February, May, August and November. Additional meetings may be held as required, including a special meeting to review ACARA's annual financial statements.
- 6.2 Where there is an odd number of the Committee members, a quorum will consist of a majority of members. Where there is an even number of the Committee members, a quorum will consist of half the Committee.
- 6.3 The Committee Chair is required to call a meeting if asked to do so by the Board or another Committee member.
- 6.4 The Committee will develop a forward meeting schedule that includes the dates, location and proposed agenda items for each meeting for the forthcoming year, which cover all the responsibilities outlined in this Charter.

7. COMMITTEE RESPONSIBILITIES

7.1 Ethical and lawful conduct

The Committee will assess whether ACARA has taken steps to embed a culture that promotes the proper use and management of public resources and is committed to ethical and lawful conduct.

7.2 Internal and external audits

The Committee will oversee audit functions:

- a) reviewing the proposed internal audit coverage, ensuring that it has reference to ACARA's Corporate Risk Register in recommending approval of the internal audit plan by the ACARA Board
- b) reviewing all audit reports, providing advice to the Board on significant issues identified in internal and external audit reports and monitoring of implementation of audit recommendations
- c) recommending to the Board the appointment and dismissal of the internal auditor, ensuring the continual independence of the internal audit
- d) advising the Board on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan
- e) reviewing the internal audit charter and audit plan, including audit priorities for the year to ensure appropriate arrangements are in place
- f) periodically reviewing the performance of internal audit.

7.3 Risk oversight and management

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

- a) enterprise risk management framework and necessary internal controls for the effective identification and management of risks in keeping with the Commonwealth Risk Management Policy and ISO 31000:2018 Risk management guidelines
- b) approach to managing key risks, including those associated with individual projects and program implementation activities
- c) articulation of key roles and responsibilities relating to risk management and adherence to them by officials
- d) process for developing and implementing fraud control arrangements, consistent with the fraud control framework, ensuring that ACARA has adequate processes for detecting, capturing and effectively responding to fraud risks
- e) business continuity planning arrangements to assess whether a sound and effective approach has been followed, including the periodic testing of business continuity and disaster recovery plans.

7.4 Internal control

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

- a) internal control framework, reviewing whether relevant policies and procedures are in operation, management's approach to maintaining an effective internal control framework and whether appropriate processes are in place for assessing compliance with key policies and procedures
- b) security compliance, reviewing management's approach to maintaining an effective internal security system, including alignment with the Protective Security Policy Framework and ICT security policy and procedure.

7.5 Legislative and policy compliance

The Committee will review and provide advice:

- a) determining whether management has appropriately considered legal and compliance risks as part of ACARA's risk assessment and management arrangements
- b) reviewing the effectiveness of ACARA's processes for monitoring compliance with relevant laws, regulations and associated government policies
- c) to the Board regarding ACARA's annual compliance report.

7.6 Performance reporting

The Committee will review, and provide advice on, the appropriateness of ACARA's systems and procedures for assessing, monitoring and reporting on achievement of ACARA's performance. In particular, the Committee should satisfy itself that:

- a) ACARA's Portfolio Budget Statements and its corporate plan contain appropriate details of how ACARA's performance will be measured and assessed.
- b) ACARA's 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 including budget.
- c) ACARA has appropriate systems and processes for preparation of its annual performance statements and inclusion of the statements in its annual report.

7.7 Financial reporting

The Committee will review, and provide advice on, the appropriateness of ACARA's:

- a) annual financial statements
- b) processes and systems for preparing financial reporting information including periodic reviews against budget
- c) financial record-keeping

- d) 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.

7.8 Parliamentary committee reports, external reviews and evaluations

The Committee will satisfy itself that ACARA has appropriate mechanisms for reviewing relevant parliamentary committee reports, external review and evaluations, and for implementing, where appropriate, any resultant recommendations.

8. ANNUAL REPORTING

- 8.1 The Committee will regularly, but at least once a year, report to the Board on its operations and activities during the year. The report must include:

- a) a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year
- b) an overall assessment of ACARA's risk, internal control and legislative compliance framework, including details of any significant emerging risks or legislative changes impacting on ACARA
- c) details of meetings held during the relevant period, and the number of meetings each member attended.

- 8.2 The report to the Board will also provide advice on the Committee's view of the appropriateness of ACARA's:

- a) risk oversight and management –
whether the system of risk oversight and management as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement
- b) system of internal control –
whether the system of internal control is appropriate with reference to any specific areas of concern or suggestions for improvement
- c) annual performance statements –
whether the annual performance statements and performance reporting as a whole are appropriate, with reference to any specific areas of concern or suggestions for improvement.
- d) financial reporting –
 - i. whether the annual financial statements comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance.

- ii. 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.
 - e) financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.
- 8.3 If any other issue of sufficient importance arises, the Committee may provide an additional report to the Board.
- 8.4 ACARA's Annual Report will include the following information related to the Committee:
 - a) a direct electronic address (hyperlink) to this Charter
 - b) the name of each member of the Committee during the reporting period
 - c) the qualifications, knowledge, skills or experience of each member of the Committee
 - d) information about each member's attendance at meetings of the Committee during the reporting period; and
 - e) the remuneration of each member of the Committee.

9. ADMINISTRATION

- 9.1 ACARA's Office of the CEO is responsible for the provision of secretariat services to the Committee. Services include:
 - a) circulating supporting papers at least one week before the meeting
 - b) ensuring that the minutes of the meetings are prepared and maintained
 - c) circulating draft minutes to each member of the Committee and any observers present, as appropriate, prior to the following committee meeting. Minutes will be endorsed by the Committee at the next meeting of the Committee.
- 9.2 ACARA's Board Secretary is responsible for the reviewing the Charter in consultation with the Committee on an annual basis at minimum. The Charter will be updated as needed to reflect changes in ACARA's operating context, new circumstances and changing needs. Any substantive changes to the Charter will be recommended by the Committee and formally approved by the Board.
- 9.3 The Chair of the Board will initiate a review of the performance of the Committee at least once every two years. The nature of the review will be determined by the Board. Input, as appropriate, may be sought from the Committee, Board, CEO, internal and external auditors, management and any other relevant stakeholders, as determined by the Chair of the Board.