

AUSTRALIA COUNCIL INSTRUMENT OF AUTHORISATION

CHARTER FOR THE AUDIT AND RISK COMMITTEE

The Australia Council Board ('the Board') established an Audit and Finance Committee ('Committee'), pursuant to Section 31 of the *Australia Council Act 2013* ('the Act'), on 1 July 2013. On 29 August 2019 the Board approved the Committee to be termed the Audit and Risk Committee.

The Board confirms the 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 – with the authority set out in Part 1 of this instrument subject to the conditions set out in Part 2 of this instrument.

PART 1: AUTHORITY

The Board authorises the Committee, in accordance with its role and responsibilities, to:

1. Obtain any information it requires from any official or external party (subject to any legal obligation to protect information)
2. Discuss any matters with the Australian National Audit Office ('ANAO'), or other external parties (subject to confidentiality considerations)
3. Request the attendance of any official, including members of the Board, at committee meetings
4. Obtain legal or other professional advice, as considered necessary to fulfil its role, at the entity's expense

All decisions of the Committee shall be referred to the Australia Council Board for approval, other than:

1. The Internal Audit Plan and internal audit budget
2. The appointment, replacement or dismissal of the internal audit service provider
3. The Australia Council's Risk Management Policy and Framework

that do not require the approval of the Australia Council Board.

PART 2: CONDITIONS OF AUTHORISATION

1. The Audit and Risk Committee will at all times comply with any general directions of the Board given under section 31(3) of the Act.

PART 3: GUIDELINES FOR THE AUDIT AND RISK COMMITTEE

1. The authorisations to the Committee will not be exercised in a manner which could reasonably be deemed to have the effect of bringing the Australia Council into disrepute;
2. The Audit and Risk Committee will report on the proceedings of each of its meetings to the next meeting of the Board;
3. The Audit and Risk Committee will provide such reports and information as the Board may request from time to time.

Role

The role of the Committee is to provide independent assurance to the Board on the Australia Council's financial and performance reporting responsibilities, risk oversight and management and systems 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 responsibilities and formulating its advice to the Board.

Members of the Committee are expected to understand and observe the legal requirements of the PGPA Act and Rule. Members are also expected to:

- act in the best interests of the entity 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 Board.

The Committee will be assisted by the entity's internal audit function that will be responsible for delivering an internal audit program in line with the Committee's guidance. The Committee will exercise a governance role in relation to the entity's internal audit function.

Membership

The Audit and Risk Committee will comprise a Chair and a minimum of two other members and a maximum of four other members, appointed by the Board.

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

The Chair of the Board and other Board members may attend committee meetings, and when they elect to do so, will require copies of committee papers.

The Chair of the Board, Chief Executive Officer, Chief Financial Officer or other management representatives may attend meetings as advisers, as determined by the Chair, but will not be members of the Committee.

A representative(s) of the ANAO and the internal audit provider will be invited to attend, in whole or in part, 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 Australia Council. 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.

Membership of the Committee will be reviewed by the Chair of the Board annually or as required.

The Committee will adopt and maintain a program of induction, training and awareness-raising for its members, with the objective of enabling the Committee to keep abreast of contemporary developments and leading practices in relation to its functions.

Functions¹

Financial reporting

Responsibilities to fulfil the Committee's financial reporting functions include reviewing the Australia Council's annual financial statements and providing advice to the Board, including recommending their signing by the Board. In particular, the Committee will maintain oversight of:

- the Australia Council's compliance with accounting standards
- the appropriateness of accounting policies and disclosures, including any significant changes to accounting policies
- areas of significant judgement and financial statement balances that require estimation
- significant or unusual transactions
- sign-off by Australia Council management in relation to the quality of the financial statements, internal controls and compliance
- the auditor's judgements about the adequacy of Australia Council's accounting policies and the quality of Australia Council's processes for the preparation of the Australia Council's financial statements, through discussions with the ANAO, and whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures
- the processes in place designed to ensure that financial information included in the Australia Council's Annual Report is consistent with the signed financial statements

The Committee will also act as a forum for communication between Australia Council management and the ANAO.

Performance reporting

Responsibilities to fulfil the Committee's performance reporting function includes being satisfied that the Australia Council has an appropriate performance reporting framework in place that meets government policy objectives and requirements and is linked to the entity's objectives and outcomes and the mandatory requirements of the PGPA Act, the PGPA Rule and the Commonwealth performance framework are complied with, and considering any advice or supporting guidance provided. The Committee's review would include information provided in the Corporate Plan, the Portfolio Budget Statements and the Annual Performance Statements.

In reviewing the Australia Council's systems and procedures for assessing, monitoring and reporting on the achievement of its performance the Committee will satisfy itself that:

- The entity's Portfolio Budget Statements and Corporate Plan include details of how the Australia Council's performance will be measured and assessed

¹ Section 17(2) of the PGPA Rule 2014 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 systems of internal control. As such these functions are mandatory.

- The Australia Council's approach to measuring and monitoring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and Corporate Plan is appropriate, in accordance with the Commonwealth Performance Framework and has taken into account any guidance issued by the Department of Finance
- The Australia Council has sound processes in place for the preparation of its Annual Performance Statements and the inclusion of the statements in its Annual Report
- The Australia Council's proposed Annual Performance Statements are not inconsistent with the Council's financial information, including its financial statements that it proposes to include in its Annual Report

The Committee will provide advice to the Board that, in their view, the Australia Council's 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

Responsibilities to fulfil the Committee's risk oversight function includes understanding the Board's risk appetite and the Australia Council's operating environment in conjunction with the mandatory requirements of the PGPA Act and PGPA Rule. In particular the Committee will:

- Maintain oversight of the Council's Risk Management Framework and associated internal controls for effective identification and management of the entity's business and financial risks, including fraud
- Identify opportunities to improve the Risk Management Policy and Framework to ensure that management always has a current, rigorous and responsive framework in place
- Satisfy itself that a sound approach has been followed in identifying and managing the Australia Council's highest risks including those associated with individual projects, program implementation and activities
- Review the process of developing and implementing the Australia Council's fraud control arrangements and satisfy itself that the entity has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks
- Review reports on fraud from management that outline any significant or systemic allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in the entity

Systems of internal control

Responsibilities to fulfil the Committee's oversight of the appropriateness of the Australia Council's systems of internal control for the entity include overseeing management's approach to maintaining an effective and responsive internal control framework.

In particular the Committee will:

Process and Procedure

- Review whether management has in place appropriate, relevant and current policies and procedures and that these are periodically reviewed and updated

- Satisfy itself that appropriate processes are in place to assess whether key policies and procedures are complied with
- Satisfy itself that management periodically assesses the adequacy of Australia Council's information security arrangements, including complying with its reporting obligations

Legislative and policy compliance

- Review the effectiveness of systems for monitoring the Australia Council's compliance with laws, regulations and associated government policies with which the Australia Council must comply
- Determine whether management has appropriately considered legal and compliance risks as part of the Australia Council's enterprise risk management framework, fraud control framework and planning
- Provide advice to the Australia Council Board regarding the issue of Australia Council's annual Compliance Report

Internal audit coverage

- Review the proposed internal audit coverage, ensure the coverage takes into account the Australia Council's key risks and approve the annual Internal Audit Work Plan and internal audit budget
- Review all internal audit reports and provide advice to the Australia Council Board on significant issues identified in these reports and recommend action on significant issues raised, including identification and remediation
- Obtain a periodic report from the internal audit service provider on management's implementation of the internal audit recommendations
- Periodically review the performance of internal audit and report the results to the Australia Council Board
- In consultation with Australia Council management, approve the appointment of the internal audit service provider where the internal audit function is outsourced or co-sourced
- Periodically meet privately with the internal audit service provider

Business continuity management

- Satisfy itself that a sound approach has been followed in establishing the Australia Council's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested

Delegations

- Review whether appropriate policies and associated procedures are in place for the management and exercise of delegations and financial authorisations

Ethical and lawful conduct

- Assess whether management 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

Other functions

The Audit and Risk Committee are also required to undertake the following portfolio responsibilities:

- Satisfy itself that the Australia Council has appropriate mechanisms in place to review and implement, where appropriate, relevant parliamentary committee reports and external reviews of the Council, and recommendations arising from these reports and reviews
- Undertake other activities related to its responsibilities as requested by the Australia Council Board

Engagement with the ANAO

The Committee will engage with the ANAO, as the entity's 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
- Review entity specific and relevant cross-entity external performance audit reports and monitor management's response and implementation of audit recommendations
- 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 Australia Council Board on action to be taken on significant issues raised in relevant ANAO reports or better practice guides
- Meet privately with the ANAO at least once per year

Annual Work Plan

The Committee will prepare an annual work plan that outlines the activities to be undertaken to achieve the Committee's functions.

Reporting

The Committee will regularly update the Board on its activities and make recommendations to the Board, as appropriate.

The Chair of the Committee will report to the Board at the next Board meeting following a meeting of the Committee on any matters that the Committee considers should be brought to the attention of the Board.

The Committee will at least once annually confirm to the Australia Council Board that all functions and responsibilities outlined in this Charter have been carried out and comply with any other reporting requirements specified by the Australia Council Board from time to time.

Administrative arrangements

Meetings

The Committee will meet at least four times per year. One or more special meetings may be held to review the Australia Council's annual financial statements and performance statements, or to meet other responsibilities of the Committee.

All Committee members are expected to attend each meeting, in person or via tele-or-video conference. If a Committee member is absent for two meetings in a row the Chair of the Committee will consult with the Chair of the Board on whether the membership ought to be reviewed.

The Chair is required to call a meeting if asked to do so by the Australia Council Board and decide if a meeting is required if requested by another member, the internal auditors 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 responsibilities outlined in this charter.

Quorum

A quorum will consist of a majority of Committee members but no less than three members. The quorum must be in attendance at all times during the meeting.

Secretariat

Secretariat support will be provided to ensure the agenda for each meeting is approved by the Chair, the agenda and supporting papers are circulated at least 5 calendar days before the meeting and ensure the minutes of the meetings are prepared and maintained. Minutes must be reviewed by the Chair and circulated within two weeks of the meeting to each member and committee observers, as appropriate.

Declarations of interest

Once a year, members of the Committee will provide written declarations, through the Chair, to the Australia Council Board declaring any material personal interests they may have in relation to their responsibilities. Members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Australia Council Board, 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 new material personal interests or any 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 if he/she should excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s). Details of 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 will initiate a self-assessment of the performance of the Committee at least once every two years. The review will involve input from the Australia Council Board, each Committee member, senior management, internal audit, the ANAO and any other relevant stakeholders, as determined by the Committee.

Review of Charter

At least once a year the Committee will review this Charter. This review will include consultation with the Australia Council Board.

Any substantive changes to the Charter will be recommended by the Committee and formally approved by the Chair of the Board.

Date: 29 August 2019