



ARC Audit and Risk Committee Charter

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1. Introduction

The Australian Research Council (ARC) Audit and Risk Committee (Committee) was established by the then Accountable Authority, the Chief Executive Officer (CEO), in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 17 of the *Public Governance, Performance and Accountability Rule* (PGPA Rule). On 1 July 2024, the ARC Board commenced as the ARC's Accountable Authority. Consequently, from 1 July 2024, the Committee provides advice to the ARC Board, rather than the CEO.

This Charter sets out the role, authority, functions, responsibilities and administration of the Committee and encompasses its terms of reference. The Charter reflects the Department of Finance's guide to develop a model audit committee charter which complements the Resource Management Guide 202 – *A guide for non-corporate Commonwealth entities on the role of audit committees*.

Under Subsection 17(1) of the PGPA Rule, the accountable authority of a Commonwealth entity must determine the functions of the entity's audit committee by written charter.

These functions must include reviewing the appropriateness of the Accountable Authority's:

- (a) financial reporting,
- (b) performance reporting,
- (c) system of risk oversight and management, and
- (d) system of internal control, for the entity (subsection 17(2) of the PGPA Rule).

2. Audit and Risk Committee functions

2.1 Financial reporting

The PGPA Rule requires that the Committee review the appropriateness of the Accountable Authority's financial reporting for the entity (subsection 17(2) (a)). This entails the Committee reviewing compliance with the mandatory requirements of the PGPA Act, the PGPA Rule, the Accounting Standards and considering advice given in supporting guidance.

2.1.1 The Committee will review and provide advice on the appropriateness of the Accountable Authority's:

- (a) annual financial statements
- (b) information (other than annual financial statements) requested by Finance in preparing the Australian Government's consolidated financial statements, including the supplementary reporting package
- (c) processes and systems for preparing financial reporting information
- (d) financial record keeping
- (e) 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.

2.1.2 Financial reporting deliverables

The Committee will provide a statement to the Accountable Authority advising:

- (a) whether the annual financial statements, in the Committee's view, comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance
- (b) 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) comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance, and
- (c) the appropriateness of the entity's overall financial reporting, with reference to any specific areas of concern or suggestions for improvement.

2.2 Performance reporting

The PGPA Rule requires that the Committee review the appropriateness of the Accountable Authority's performance reporting for the entity (subsection 17(2) (b)). This entails the Committee reviewing the mandatory requirements of the PGPA Act, the PGPA Rule, the Commonwealth performance framework and considering advice given in supporting guidance. The review would include information provided in the Corporate Plan, the Portfolio Budget Statements, and the Annual Performance Statements.

2.2.1 The Committee will review and provide advice on the appropriateness of the Accountable Authority's:

- (a) systems and procedures for assessing, monitoring and reporting on the entity's performance. In particular, the Committee can satisfy itself that the ARC's:
 - i. Portfolio Budget Statements and Corporate Plan includes the purpose of the entity, its key activities, the operating context and details of how the entity's performance will be measured and assessed
 - ii. 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 periodically reviewing elements of the performance measures
 - iii. systems and processes are appropriate for the preparation of its Annual Performance Statement and inclusion of the statement in its annual report.
- (b) Annual Performance Statements and their appropriateness to the entity.

2.2.2 Performance reporting deliverables

The Committee will provide the Accountable Authority with a statement to advise whether, in their view, the Accountable Authority's Annual Performance Statements, performance reporting and compliance with the PGPA Act and the PGPA Rule is appropriate, with reference to any specific areas of concern or suggestions for improvement.

2.3 Risk oversight and management

The PGPA Rule requires that the Committee review the appropriateness of the Accountable Authority's system of risk oversight and management for the entity (subsection 17(2)(c)). This requires the Committee to gain sufficient understanding of the Accountable Authority's risk appetite and the entity's operating environment, and review the mandatory requirements of the PGPA Act, the PGPA Rule, the *Commonwealth Risk Management Policy* and consider advice in supporting guidance.

2.3.1 The Committee will review and provide advice on the appropriateness of the Accountable Authority's:

- (a) 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*
- (b) approach to managing the entity's key risks—including those associated with individual projects and program implementation and activities
- (c) process for developing and implementing the entity's fraud and corruption control arrangements consistent with the *Commonwealth Fraud and Corruption Control Framework*, and satisfy itself that the entity has adequate processes for detecting and effectively responding to fraud and corruption risks, and
- (d) articulation of key roles and responsibilities relating to risk management and adherence to them by officials of the entity.

2.3.2 Risk management deliverables

The Committee will:

- (a) provide a statement to the Accountable Authority on whether, in their view, the Accountable Authority's system of risk oversight and management is appropriate with reference to the *Commonwealth Risk Management Policy* and any specific areas of concern or suggestions for improvement
- (b) at least annually, commission an entity-wide assurance map that identifies the ARC's key assurance arrangements.

2.4 Internal control

The PGPA Rule requires that the Committee review the appropriateness of the Accountable Authority's system of internal control for the entity (subsection 17(2)(d)). This entails the Committee gaining a sufficient understanding of the entity's operating context, governance requirements, and reviewing the mandatory requirements of the PGPA Act, the PGPA Rule as well as considering advice in supporting guidance.

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

2.4.1 Internal control framework

- (a) reviewing 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
- (b) reviewing whether management has in operation relevant policies and procedures—such as Accountable Authority's instructions, delegations, a business continuity management plan, or bullying and harassment policies.

2.4.2 Legislative and policy compliance

- (a) reviewing the effectiveness of systems for monitoring the entity's compliance with laws, including the entity's specific legislative requirements, regulations, and associated government policies with which the entity must comply
- (b) determining whether management has adequately considered legal and compliance risks as part of the entity's enterprise risk management framework, fraud and corruption control framework and planning.

2.4.3 Security compliance

- (a) reviewing management's approach to maintaining an effective internal security system, including complying with the Protective Security Policy Framework and the entity's ICT security policy.

2.4.4 Internal audit coverage

- (a) reviewing the proposed internal audit coverage, ensuring that the coverage considers the entity's primary risks, and recommending approval of the internal audit work plan by the Accountable Authority or the nominated delegate
- (b) reviewing all internal audit reports, providing advice to the Accountable Authority on major concerns identified in those reports, and recommending action on significant matters raised, including identification and dissemination of information on good practice.

2.4.5 Internal control deliverables

- (a) The Committee will provide a statement to the Accountable Authority about whether the Accountable Authority's system of internal control is appropriate for the entity, with reference to any specific areas of concern or suggestions for improvement.

3. Additional functions of the Audit and Risk Committee

3.1 Business continuity

- (a) the Committee should satisfy itself that an appropriate approach has been taken in establishing business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

3.2 Ethical and lawful conduct

- (a) the Committee should assess whether the Accountable Authority 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.

3.3 Parliamentary committee reports, external reviews and evaluations

- (a) the Committee should satisfy itself that the entity has appropriate mechanisms for reviewing relevant external reports (including parliamentary committee reports), external reviews and evaluations of the entity and implementing, where appropriate, any resultant recommendations.

4. Conduct of the Audit and Risk Committee

4.1 Role

The Committee's role is to support the governance of the ARC, provide independent advice to the Accountable Authority, assist the Accountable Authority to meet their duties and obligations under the PGPA Act, and support the development of key practice and capacity within the ARC.

The Committee does not have management responsibilities. The Committee will engage with management in a constructive and professional manner in discharging its advisory responsibilities by providing references and suggestions for system and process improvements to the Accountable Authority.

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

- act in the best interest of the ARC
- apply good analytical skills, objectivity and judgment
- express opinions constructively and openly, raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry
- 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 Accountable Authority.

4.2 Authority

4.2.1 The Accountable Authority 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 Australian National Audit Office (ANAO), or other external parties (subject to confidentiality considerations)
- obtain legal or other professional advice, as considered necessary to fulfil its role, at the ARC's expense, subject to approval by the Accountable Authority, or delegate
- request the attendance of any official, including ARC Board members, at Committee meetings.

5. Engaging with the ANAO

5.1 In undertaking its role, the Committee will engage with the ANAO, as the ARC's external auditor, in relation to the ANAO's financial statement and performance audit coverage. In particular, the Committee will:

- (a) provide input on planned ANAO financial statement and performance audit coverage
- (b) review ARC specific and relevant cross-entity external performance audit reports and monitor management's response and implementation of audit recommendations
- (c) provide advice to the Accountable Authority on action to be taken on significant issues raised in relevant ANAO reports
- (d) meet privately with the ANAO at least once per year.

6. Membership

- 6.1** The Committee comprises a minimum of 4 members, including the Chair, appointed by the Accountable Authority. All members of the Committee must be persons who are not officials of the entity; and a majority of the members must be persons who are not officials of any Commonwealth entity. Over time Committee members will be rotated to introduce new skills and new perspectives to committee, enhancing its effectiveness and ensuring its objectivity.
- 6.2** In appointing members, the Accountable Authority will ensure that:
- the Committee members, taken collectively, will have a broad range of qualifications, skills, knowledge and experience to enable the Committee to perform its functions. This includes relevant technical skills, appropriate policy and subject matter knowledge, and a strong understanding of the ARC's operating context
 - all Committee members should have the capacity to understand the business and operating context of the ARC
 - 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.
- 6.3** The Accountable Authority will appoint a member as the Chair of the Committee. The Chair is expected to:
- have the active support of and engage effectively with the Accountable Authority
 - have a strong understanding of the nature of the entity and its work
 - effectively plan and manage Committee meetings, enabling the Committee to perform its functions and meet its responsibilities as outlined in this Charter
 - maintain an open and constructive relationship with senior management, internal audit, other entity committees and the ANAO
 - have a clear understanding of the functions and responsibilities of the Committee and its position in the entity's governance structure
 - arrange for all Committee members to maintain up-to-date knowledge of the entity and its activities
 - be a good communicator who facilitates discussion and focuses on matters of relevance and importance
 - devote sufficient time to preparing for Committee meetings and to engaging with the Accountable Authority, senior management and other stakeholders outside Committee meetings.
- 6.4** If required, the Accountable Authority may, after consultation with the Committee, appoint a member as the Acting Chair in the absence of the Chair.
- 6.5** Members will be appointed by the Accountable Authority for an initial period not exceeding 3 years and:
- may be reappointed by the Accountable Authority

- must have sufficient capacity to serve on the Committee and to understand the issues and operating context of the ARC.
- 6.6** Members will be expected to attend all meetings (either face-to-face, or by teleconference or video conference). Attendance cannot be delegated.
- 6.7** New members will be fully inducted into the business of the ARC to assist them to meet their Committee responsibilities. This includes receiving information and briefings on the operations and performance of the ARC on their appointment, as needed, and on an ongoing basis to keep members up to date on major and emerging issues.
- 6.8** Where appropriate, the Committee may seek external specialist advice if it does not have the particular specialist expertise within the Committee. Engagement of external consultants must be authorised by the Accountable Authority and must comply with the Commonwealth Procurement Rules.

7. Administrative arrangements

7.1 Reporting

- 7.1.1 The minutes of meetings will form the basis of regular reporting to the Accountable Authority and the Chief Executive Officer (CEO).
- 7.1.2 The Committee will, as often as necessary, and at least once a year, report to the Accountable Authority and the CEO on its operation and activities during the year, and confirm to the Accountable Authority that all functions outlined in this Charter have been satisfactorily addressed.
- 7.1.3 The Committee may, at any time, report to the Accountable Authority 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 Accountable Authority.

7.2 Meetings

- 7.2.1 The Committee will meet at least 4 times per year. One or more special meetings may be held to review the ARC's annual financial statements and performance statements or to meet other specific responsibilities of the Committee.
- 7.2.2 The Chair is required to call a meeting if asked to do so by the Accountable Authority, and decides if a meeting is required if requested by the CEO, Head, Internal Audit (HIA) or the ANAO.
- 7.2.3 As determined by the Chair of the Board, a member of the Board may be invited to attend meetings as an observer. The CEO will be invited to attend all meetings as an observer.
- 7.2.4 External and internal audit representatives will be invited to attend all meetings of the Committee, as observers.
- 7.2.5 ARC senior managers and other staff may attend meetings as observers, as determined by the Chair.

7.3 Planning

- 7.3.1 The Committee will develop a forward meeting schedule that includes the dates, and proposed agenda items for each meeting for the forthcoming year, and that covers all the functions outlined in this Charter.

7.4 Quorum

7.4.1 A quorum will consist of 3 members. The quorum must be in place at all times during the meeting.

7.5 Secretariat

7.5.1 The Director, Governance and Corporate Reporting will manage the Committee's secretariat function (Secretariat).

7.5.2 The Secretariat will:

- ensure the agenda for each meeting is approved by the Chair
- circulate the approved agenda and supporting papers at least 5 working days before the meeting
- ensure the meetings minutes are prepared and maintained.

7.5.3 Minutes for each Committee meeting will be drafted by the Secretariat and provided for comment to the Chair within 5 working days of each meeting. Following review by the Chair minutes will be circulated by the Secretariat within 2 weeks of the meeting to each Committee member and observer(s), as appropriate.

7.5.4 If significant disagreements arise regarding the contents of the minutes the Director, Governance and Corporate Reporting will consult with the Chair before amendments are made.

7.5.5 The minutes for each meeting will be put forward as an agenda item for formal acceptance at the following meeting. Once accepted the minutes will be considered to have been ratified.

7.6 Relationships

7.6.1 The Committee will periodically meet privately with the HIA.

7.6.2 Briefings from senior management and executive directors will be scheduled in the forward agenda and as requested by the Committee.

7.7 Conflicts of interest

The Committee has a range of mechanisms in place to facilitate timely identification of changing relationships or circumstances that might affect the perceived independence of Committee members.

7.7.1 Once each year, members of the Committee will be asked to review the ARC Conflict of Interest and Confidentiality Policy and provide a written declaration, through the Chair, to the Accountable Authority declaring any material personal interests they may have in relation to their responsibilities.

Members should consider current and past employment, consultancy arrangements, financial interests, foreign affiliations and related party issues in making these declarations and the Accountable Authority, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

7.7.2 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(s) will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s).

7.7.3 The Chair is also responsible for deciding, in consultation with Accountable Authority where appropriate, if they should excuse themselves from the meeting or from the Committee's

consideration of the relevant agenda item(s).

- 7.7.4 Details of material personal interests declared by the Chair and other members, and actions taken, will be appropriately recorded in the minutes.

7.8 Reviews

Committee performance

- 7.8.1 The Chair of the Committee, in consultation with the Accountable Authority, will undertake a review of the performance of the Committee at least once every 2 years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Accountable Authority) with appropriate input sought from the observer from the Board, the CEO, Committee members, the HIA, senior management, and any other relevant stakeholders, as determined by the Accountable Authority.
- 7.8.2 The Chair will provide advice to Accountable Authority on a member's performance where an extension of the member's tenure is being considered.

Charter

- 7.8.3 At least once a year, the Committee will review the Charter. The review will include consultation with the Accountable Authority. Any substantive changes to the Charter will be recommended by the Committee to the Accountable Authority for formal approval.

Internal Audit

- 7.8.4 At least once a year, the Committee will review the performance of the internal audit program and report the results to the Accountable Authority.

Contact details

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Document control

Version	Date Approved by Accountable Authority	Responsible Officer	Brief Description
4.0	13/04/2023	Director, Governance and Corporate Reporting	Annual review, minor updates and change of name.
5.0	28/06/2024	Director, Governance and Corporate Reporting	Annual review and to reflect new ARC governance arrangements.