

Finance, Audit and Risk Management Committee Charter

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1. Overview

The Board has established the Finance, Audit and Risk Management Committee in compliance with section 45 of the *Performance, Governance and Accountability Act 2013* (PGPA Act) and Section 17 of the Public Governance, Performance and Accountability Rule 2014.

This charter sets out the committee's objectives, authority, responsibilities, composition and tenure, reporting and administrative arrangements.

2. Objective

The objective of the committee is to provide independent assurance and advice to the Board, including the appropriateness of FSANZ's financial and performance reporting, system of risk oversight and management, compliance, governance framework, and systems of internal control¹.

3. Authority

The Board authorises the committee, within its responsibilities, to:

- obtain any information it requires from any employee or external party (subject to any legal obligation to protect information)
- discuss any matters with the internal and external auditor, or other external parties (subject to confidentiality considerations)
- request the attendance of a Board member or any employee, including the Chief Executive Officer, at committee meetings
- obtain legal or other professional advice, as considered necessary to meet its responsibilities, at FSANZ's expense.

4. Composition and tenure

The committee comprises a minimum of three members, appointed by the Board, who have appropriate qualifications, knowledge, skills or experience to assist the committee to perform its functions. All of the members of the committee must be persons who are not employees of FSANZ.

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of FSANZ. It is desirable that 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.

The Board will appoint a non-executive member as the Chair of the committee; normally a member of the Board. The Chair of the Board, the Chief Executive Officer nor the Chief Financial Officer must not be a member of the committee².

Any officer may attend meetings as observers, as determined by the Chair, but will not be members of the committee.

A representative of external or internal audit may be invited to attend all meetings of the

¹ Section 17(2), Performance, Governance and Public Accountability Rule 2014

² Section 17(5), Performance, Governance and Public Accountability Rule 2014

committee, as an observer.

Members will be appointed for an initial period not exceeding one year from 1 July each year. Members may be re-appointed on the recommendation of the Chair for further periods. In the event that a committee member retires from the Board or the committee, during the course of the year, a member will be appointed by the Board for the remainder of the term of that original appointment. Members may only be removed on the recommendation of the Board.

5. Responsibilities of committee members

Members of the committee are expected to understand and observe the legal requirements of the PGPA Act or the PGPA Rules. Members are also expected to:

- act in the interests of FSANZ
- contribute the time needed to study and understand the papers provided for each meeting or as provided
- 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.

6. Reporting

The committee Chair will report to the Board after each meeting on the outcomes of the meeting.

The committee may, at any time, report to the Board 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 Chair of the Board.

7. Responsibilities

7.1 Mandatory Functions

Section 17 of the PGPA Rule requires that the functions of an audit committee must include reviewing the appropriateness of FSANZ's:

- financial reporting
- performance reporting
- system of risk oversight and management
- system of internal control.

7.1.1 Financial Reporting

- Review the financial statements and provide advice and assurance to the Board on the appropriateness of the agency's financial reporting.
- Satisfy itself that the financial statements are supported by appropriate management sign-off and on the adequacy of key internal controls.
- Review the annual financial statements and provide advice to the Board (including whether appropriate action has been taken in response to audit recommendations

and adjustments to the draft financial statements) and recommend their signing by the Board.

- Review the processes in place designed to ensure that financial information included in FSANZ's annual report is consistent with the signed financial statements.

7.1.2 Performance Reporting

- Provide advice and assurance to the Board that FSANZ's performance information in the portfolio budget statements and annual performance statements is in accordance with the PGPA Act and Rule.
- Satisfy itself that FSANZ has an appropriate performance reporting framework that meets government policy objectives and requirements and is linked to FSANZ's objectives and outcomes.
- Review the annual performance statements and provide advice to the Board on their appropriateness to the agency.
- Provide a statement to the Board 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.

7.1.3 Systems of risk oversight and management

- Review and provide advice on whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of FSANZ's business and financial risks, fraud control and reputation management, in accordance with the Commonwealth Risk Management Framework.
- Determine whether a sound and effective approach has been followed in managing FSANZ's major risks including those associated with individual projects, program implementation, and activities .
- Assess the impact of the FSANZ's risk management framework on its control environment and insurance arrangements.
- Determine whether a sound and effective approach has been followed in establishing FSANZ's business continuity and disaster recovery plan arrangements.
- Review the process of developing and implementing FSANZ's fraud control arrangements and satisfy itself that FSANZ has appropriate processes and systems in place to detect, capture and effectively respond to fraud-related information.
- Review reports on fraud from FSANZ's internal auditors and Operations Manager that outline any identified allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in the entity.
- Review whether management has adequately developed risk management capability in the entity and whether key roles, responsibilities and authorities relating to risk management are clearly articulated and adhered to in the entity.

7.1.4 System of internal control

Internal control framework

- Review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisers, is sound

and effective.

- Review whether management has in place relevant policies and procedures, including Chief Executive's Instructions or their equivalent, 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.
- Consider how management identifies any required changes to the design or implementation of key internal controls.

Legislative and policy compliance

- Review the effectiveness of the system for monitoring FSANZ's compliance with laws, regulations and associated government policies with which FSANZ must comply with.
- Provide advice to the Board regarding the issue of the entity's annual Compliance Report.
- Determine whether management has appropriately considered legal and compliance risks as part of FSANZ's risk management plan.

Business continuity management

- Satisfy itself that an appropriate approach has been followed in establishing FSANZ'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 supporting procedures are in place for the management and exercise of delegations.

Ethical and lawful conduct

- Assess whether management has taken steps to embed a culture which is committed to lawful and other appropriate behaviour.

Governance

- Periodically review FSANZ's governance arrangements or elements of the arrangements as determined by the Board and suggest improvements, where appropriate, to the Board.

7.2 Internal Audit

- Review the proposed internal audit coverage, ensuring the coverage is aligned with FSANZ's key risks, and recommend approval of the internal audit Work Plan by the Chief Executive
- Review all internal audit reports and provide advice to the Board on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- Monitor management's implementation of internal audit recommendations.
- Periodically review the performance of internal audit.

- Provide advice to the Board on the appointment of the Head of Internal Audit (in the case of an in-house internal audit function) and/or recommend to the Chief Executive the appointment of the internal auditor where outsourced or co-sourced.
- Act as a forum for communication between the Board, senior management and internal audit.
- Periodically review the internal audit charter to ensure appropriate authority, access and reporting arrangements are in place.

7.3 Engagement with the ANAO

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

- Act as a forum for communication between the Board, senior management and the ANAO.
- Provide input and feedback on planned financial statement and performance audit coverage and provide feedback on the audit services provided.
- Review all external audit plans and reports in respect of planned or completed audits and monitor management's response and implementation of audit recommendations.
- Provide advice to the Board on action to be taken on significant issues raised in relevant external audit reports or better practice guides.

8. Administrative arrangements

8.1 Meetings

The committee will meet at least four times per year. A special meeting may be held to review FSANZ's annual financial statements, if required.

The Chair is required to call a meeting if asked to do so by the Chair of the Board, and decide if a meeting is required if requested by another member.

The committee may meet separately with the internal auditor and the ANAO at least once a year.

Any Board member, who is not a member of the committee, may attend and participate, but not vote, at any FARMC meeting.

8.2 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, that cover all the responsibilities outlined in this charter.

8.3 Quorum

The quorum for meetings of the committee is two persons or if the majority of the committee is greater than two persons, then that number of persons.

8.4 Secretariat

The Chief Executive Officer, 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 and supporting papers are circulated at least two weeks before the meeting
- 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.

A report of each committee meeting will be provided by the Chair to the next full Board meeting. The minutes incorporating the report from the meeting, when cleared by the Chair, will be provided to the next committee meeting.

A copy of all FARMC papers will be available to all Board members.

8.5 Conflicts of interest

Once each year, members of the committee will provide written declarations to the Chair for provision to the Board declaring any potential or actual conflicts of interest 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 Chair should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each meeting, members are required to declare any potential or actual conflicts of interest 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). Details of potential or actual conflicts of interest declared by members and action taken will be appropriately recorded in the minutes.

8.6 Induction

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

8.7 Assessment arrangements

The Chair, in consultation with the Chair of the Board, will initiate a review of the performance of the committee at least once every year. The review will be conducted on a self-assessment basis (unless otherwise determined by the Board) with appropriate input sought from Board members, committee members, senior management, the internal auditors and the ANAO, the Chief Financial Officer, and any other relevant stakeholders, as determined by the Chair of the Board.

The Chair will provide advice to the Board on a member's performance where an extension of the member's tenure is being considered.

8.8 Review of charter

At least once a year the committee will review this charter. This review will include consultation with the Board.

Any substantive changes to the charter will be recommended by the committee and formally approved by the Board.