

## AUDIT COMMITTEE CHARTER

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### Responsible Officer

Name	Position	Contact Details
Louise Heaslip	General Manager Business and Finance	(02) 6923 6903

## 1. INTRODUCTION

The Board has established the Audit 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*. This charter sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

## 2. PURPOSE

The Committee is a sub-committee of the Board of AgriFutures Australia established to assist the Board discharge its responsibilities under the *Primary Industries Research and Development Act 1989* (PIRD Act) and the PGPA Act in respect of financial reporting, performance reporting, risk oversight and management, internal control and compliance with relevant laws and policies.

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.

## 3. AUTHORITY

The Board authorises the Committee, within the scope of its role and responsibilities, to:

- a. obtain any information it requires from any official or external party (subject to any legal obligation to protect information);
- b. discuss any matters with the ANAO and internal auditor, or other external parties (subject to confidentiality considerations);
- c. request the attendance of any official, including directors, at Committee meetings; and,
- d. obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at AgriFutures Australia expense.

## 4. MEMBERSHIP

The Audit Committee comprises three members, appointed by the Board.

Appointment of members to the Audit Committee will coincide with the Board appointment process and would normally be considered at the first meeting of the new Board.

Directors can nominate to be on the Audit Committee. All nominations must be provided to the Board Chair in writing outlining the skills and capabilities of the director against the key areas of responsibility outlined in the Audit Charter.

The Board Chair will consider all nominations and put forward a summary report and recommendations to the Board.

The Board may agree to temporarily increase the number of members to facilitate staggering the rotation of members.

The Board will appoint a non-executive member as the Chair of the Committee; normally a member of the Board. The Chair must be a person other than the Chair of the Board. The Committee is authorised to appoint a Deputy Chair who will act as chair in the absence of

the Chair.

The members, taken collectively, will be financially literate and have a broad range of skills and experience relevant to the operations of AgriFutures Australia. 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. Members will be appointed for an initial period not exceeding three years. Membership of the Committee will be reviewed at least every three years by the Board with the objective of enabling the Committee to keep abreast of contemporary developments and leading practices in relation to its functions. Members may be re-appointed for a further period not exceeding three years.

The Managing Director and General Manager Business and Finance attend meetings as observers, as determined by the Chair, but will not be members of the Committee. Other members of management will attend meetings when requested by the Chair to participate in certain agenda items. Directors who are not members of the Committee have the right to attend meetings at any time.

The internal auditor and the ANAO have a standing invitation to attend all meetings of the committee, as observers.

## **5. ROLES AND RESPONSIBILITIES**

The Committee has no executive powers, unless delegated to it by the Board.

The Board may grant the Audit Committee authority to approve certain non-strategic items and has agreed to delegate matters included under the Committee's Responsibilities in this Charter. The scope of such authorisation will be limited to administrative matters that do not involve the exercise of a financial delegation or other power of the Corporation under the PIRD Act or PGPA Act.

The Committee is directly responsible and accountable to the Board for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of AgriFutures Australia rests with the Managing Director.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Board from time to time.

The Committee's responsibilities are to:

- a. Risk Management;
  - i. assess whether management has in place a current and comprehensive enterprise risk management framework and associated procedures for effective identification and management of AgriFutures Australia financial and business risks, including fraud and Work Health and Safety; and approve the Risk Management Framework;

- ii. determine whether a sound and effective approach has been followed in managing AgriFutures Australia key risks including those associated with individual projects, program implementation, and activities;
  - iii. satisfy itself that management has assessed the impact of AgriFutures Australia enterprise risk management framework on its control environment;
  - iv. monitor the adequacy of insurance cover for AgriFutures Australia;
  - v. determine whether a sound and effective approach has been followed in establishing AgriFutures Australia business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically tested and updated;
  - vi. review AgriFutures Australia fraud control plan and satisfy itself AgriFutures Australia has appropriate processes and systems in place to capture and effectively investigate fraud related information;
  - vii. monitor reports on fraud from entity Management that outline any significant or systemic allegations of fraud, the status of any on-going investigations and any changes to identified fraud risk in the entity; and
  - viii. at least annually, commission and approve an entity-wide assurance map that identifies the entity's key assurance arrangements.
- b. Internal Control;
- i. assess whether management has in place comprehensive and relevant policies and procedures designed to maintain an effective internal control framework, including over external parties such as contractors and advisors;
  - ii. determine whether management has appropriate processes in place to assess, at least once a year, whether key policies and procedures are complied with;
  - iii. assess the adequacy of the information technology security arrangements;
  - iv. approve certain non-strategic items in accordance with authority granted by the Board; and
  - v. assess whether management has taken steps to embed a culture that promotes the proper use of Commonwealth resources and is committed to ethical and lawful behaviour.
- c. Financial Statements;
- i. satisfy itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of key internal controls;
  - ii. review the financial statements, consider external audit findings and recommendations on them, and provide advice to the Board (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their approval by the Board; and
  - iii. review the processes in place designed to ensure that financial information included in AgriFutures Australia annual report is consistent with the signed financial statements.

- d. Legislative and Policy Compliance;
  - i. assess the effectiveness of the system for monitoring compliance with the laws, regulations and associated government policies that AgriFutures Australia must comply with;
  - ii. assess where relevant, the compliance with International Conventions, particularly the OECD Convention of Combating Bribery of Foreign Public Officials in International Business Transactions;
  - iii. determine whether management has appropriately considered legal and compliance risks as part of AgriFutures Australia enterprise risk management plan;
  - iv. review the PGPA Act and PGPA Rule compliance summary;
  - v. review and monitor compliance activities required under the Funding Agreement with the Commonwealth;
  - vi. review the Legal Services directions 2005 compliance certificate and legal services expenditure report;
  - vii. review the Consolidated Financial Reporting Supplementary Reporting Pack; and
  - viii. review the appropriateness of performance reporting, including the annual performance statement included in the Annual Report.
- e. Annual Performance Statement;
  - i. The role of an audit committee is to provide independent advice and assurance to the entity's accountable authority. It is a requirement of s17(2) of the PGPA Rule 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. The PGPA Rule requires that the accountable authority must, by written charter, determine the functions of the audit committee. This charter must include the requirements of s17(2) of the PGPA Rule, including the requirement in s17(2)(b) that functions of the audit committee must include reviewing the appropriateness of the accountable authority's performance reporting. In this context, "appropriateness" has its ordinary meaning of suitable or fit for purpose. This would involve an audit committee reviewing the performance information, systems and framework, and the completeness and accuracy of performance reporting, (including application of the PGPA Act, PGPA Rule and supporting guidance) that underpin the performance reporting of an entity. This would provide a level of assurance to the accountable authority that is comparable to the level of assurance that the audit committee gives in relation to financial reporting, system of risk oversight and management and internal controls. An accountable authority is responsible for implementing and reporting against the framework in their entity – the audit committee's role is one of advice, assurance and support. Where there are formal standards in relation to a matter listed in s17(2) of the PGPA Rule, for example relevant accounting standards and rules in relation to financial reporting, then an audit committee would reach a view on appropriateness with reference to the requirements of these standards or rules. i.e. that the entity's financial statements, as a whole,

- give a true and fair view of its financial position, performance and cash flows, in conformity with the standards.
- ii. In the case of performance reporting, an audit committee would reach a view on the appropriateness, of the entity's performance reporting as a whole, with reference to the Commonwealth's performance reporting framework, (including the relevant requirements, directions or guidance for entities corporate plans and portfolio budget statements.
- f. Internal audit
- i. review and approve the Internal Audit charter;
  - ii. act as a forum for communication between the Board, senior management and internal and external audit;
  - iii. review the proposed internal audit coverage to ensure the coverage is aligned with AgriFutures Australia enterprise risk management plan, and recommend approval of the plan by the Board;
  - iv. advise the Board on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan;
  - v. approve all internal audit engagement letters (scope);
  - vi. review and approve all audit reports and provide advice to the Board on significant issues identified in audit reports and recommend action on issues raised, including identification and dissemination of good practice;
  - vii. monitor management's implementation of internal audit recommendations;
  - viii. review the internal audit plan to ensure appropriate organisational structures, authority, access and reporting arrangements are in place;
  - ix. periodically review the performance of internal audit;
  - x. at least once a year, assess the performance of the internal auditors; and
  - xi. recommend to the Board the appointment of the internal auditor.
- g. External Audit;
- i. act as a conduit for communication between the Board, senior management and internal and external audit;
  - ii. provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided;
  - iii. review all external plans and reports in respect of planned or completed audits and monitor management's implementation of audit recommendations;
  - iv. at least once a year, assess the performance of the external auditors; and
  - v. provide advice to the Board on action taken on significant issues raised in relevant external audit reports and better practice guides.
- h. Governance Arrangements;
- i. periodically review AgriFutures Australia governance arrangements or elements of the arrangements as determined by the Board and suggest improvements, where appropriate, to the Board.

- i. Other Responsibilities;
  - i. satisfy itself that AgriFutures Australia has appropriate mechanisms in place to review and implement, where appropriate, relevant parliamentary committee reports and external reviews of the entity, and recommendations arising from these reports and reviews;
  - ii. satisfy itself that AgriFutures Australia has an appropriate performance reporting framework that meets government policy objectives and requirements and is linked to the entity's objectives and outcomes;
  - iii. review the intellectual property register status reports, including the identification, reporting and monitoring of royalty income; and
  - iv. perform or undertake on behalf of the Board any other tasks that the Board may from time to time authorise;
  - v. Assess whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.

## 6. RESPONSIBILITIES OF COMMITTEE MEMBERS

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

- a. act in the interests of AgriFutures Australia;
- b. contribute the time needed to study and understand the papers provided;
- c. apply good analytical skills, objectivity and good judgment; and
- d. express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

## 7. REPORTING

The Committee will regularly report to the Board on its operation and activities during the year. The report will be provided verbally by the Audit Committee Chair to the next board meeting after each Committee meeting.

The Committee may, at any time, report to the Board any other matter it deems of sufficient importance to do so and at least once annually confirm to the Board that all functions/responsibilities outlined in this charter have been carried out. In addition, at any time an individual Committee member may request a meeting with the Chair of the Board.

## 8. ADMINISTRATIVE ARRANGEMENTS

### Meetings

The Committee will meet at least four times per year and these meetings will normally be in conjunction with significant financial events. All Committee members are expected to attend each meeting, in person or via tele-or-video conference.

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 Committee member, internal audit or the ANAO.

## **Planning**

A forward meeting plan, including meeting dates, location and proposed agenda items, will be agreed by the Committee each year. The forward meeting plan will cover all of the Audit Committee's responsibilities, as detailed in this charter.

## **Attendance at Meetings and Quorums**

A quorum will consist of at least two Committee members. The quorum must be in attendance at all times during the meeting. Meetings can be held in person, by teleconference or video conference.

## **Secretariat**

The Executive Support Officer will provide secretariat support to the Committee. The Secretariat will ensure the approved agenda for each meeting and supporting papers are sent electronically to the Committee at least five working days before the meeting.

The Executive Support Officer will provide electronic copies of the papers for each Audit Committee meeting to the internal auditors and the external auditors who have a standing invitation to attend each meeting.

The Executive Support Officer will attend all Committee meetings and take the minutes. Minutes must be approved by the Chair and circulated within two weeks of the meeting to each member, Committee observers and the internal and external auditors, as appropriate.

## **Conflicts of interest**

Once a year Audit Committee members will provide written declarations to the Board declaring any material personal interests they may have in relation to their responsibilities as members of the Committee, in addition to their Board declaration.

Audit Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. 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 any material personal interests declared by members and action taken will be appropriately minuted.

## **Induction**

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities and be provided with on-going professional development during their tenure.

## **Assessment arrangements**

The Chair of the Committee, in consultation with the Chair of the Board, will initiate a review of the performance of the Committee at least once per term. 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 Managing Director, the internal auditors and the ANAO, management 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.

### **Remuneration**

Members of the Committee will be paid an annual fee as determined by the Remuneration Tribunal. This fee will be paid monthly as part of the payment of Directors fees.

### **Review of Charter**

The Audit Committee Charter will be reviewed annually or earlier if circumstances require. The Board approves the Audit Committee Charter. Any substantive changes to the charter will be recommended by the Committee and formally approved by the Board.

A copy of the Audit Committee Charter will be placed on the AgriFutures Australia website.