

Australian Centre for International Agricultural Research (ACIAR)

AUDIT and RISK COMMITTEE CHARTER 2022

The Chief Executive Officer, as the Accountable Authority, has established an Audit and Risk Committee (the **Committee**) in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and *Public Governance, Performance and Accountability Rule* section 17 Audit Committees for Commonwealth Entities.

Role

The Committee's role is to provide independent assurance to the Chief Executive Officer ACIAR's financial and performance reporting responsibilities, risk oversight and management, and system of internal control. Additionally, the Committee will complete other activity as detailed under 'Other functions' below.

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 advisory responsibilities and formulating its advice to the Chief Executive Officer.

Members of the Committee are expected to understand and observe the legal requirements of the PGPA Act and rules. 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 Chief Executive Officer.

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 and subject to approval by the Chief Executive Officer. The Committee will exercise a governance role in relation to the entity's internal audit function.

Authority

The Chief Executive Officer 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);
- request the attendance of any official, including the Chief Executive Officer, at Committee meetings; and
- obtain legal or other professional advice, as considered necessary to fulfil its role, at ACIAR's expense, subject to approval by the Chief Executive Officer or delegate.

Membership

The Committee comprises between three and five members, appointed by the Chief Executive Officer.¹

The Chief Executive Officer will appoint the Chair of the Committee.

The Committee or the Chief Executive Officer is authorised to appoint a Deputy Chair who will act as Chair in the absence of the Chair.

The Chief Executive Officer, Chief Financial Officer, Director Finance, other ACIAR staff and Internal Auditors may attend meetings as advisers or observers, as determined by the Chair, but will not be members of the Committee.

A representative(s) of the ANAO will be invited to attend 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 ACIAR. 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.

Committee members will be appointed for an initial period to be determined by the Chief Executive Officer, which is not to exceed three years. Members may be re-appointed after a formal review of their performance, for two further periods; the first of two years with the last being one year, unless otherwise agreed following discussions with the CEO.

Functions²

Financial reporting

The Committee will review the financial statements for ACIAR and provide advice to the Chief Executive Officer. In particular the committee will review:

- a) ACIAR's compliance with the PGPA Act, the PGPA Rules, accounting standards and supporting guidance;
- b) the appropriateness of accounting policies, practices and disclosures as a whole, including any significant changes to accounting policies;
- c) areas of significant judgment and financial statement balances that require estimation;
- d) significant or unusual transactions;
- e) sign-off by ACIAR management of the financial statements, internal controls and compliance;
- f) the auditor's judgments about the adequacy of ACIAR's accounting policies and the quality of ACIAR's processes for the preparation of the financial statements, through discussions with the ANAO; and
- g) whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures.

The Committee will review the processes in place designed to ensure that financial information included in ACIAR's annual report is consistent with the signed financial statements.

¹ All members must not be officials of the entity and the majority of members must not be officials of any Commonwealth entity. The Committee may have a temporary increase in the number of members as a result of staggering the rotation of members.

² PGPA Rule section 17 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 system of internal control. As such these functions are mandatory.

Performance reporting

The Committee will review ACIAR's systems and procedures for assessing and reporting the achievement of the entity's performance, in accordance with section 39 of the PGPA Act. The Committee will advise the Chief Executive Officer in that regard. In particular, the Committee will satisfy itself that:

- a) ACIAR's Portfolio Budget Statements and Corporate Plan include details of how the entity's performance will be measured and assessed;
- b) ACIAR's approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and Corporate Plan is sound, and has taken into account guidance issued by the Department of Finance;
- c) ACIAR has sound processes in place for the preparation of its annual Performance Statement and the inclusion of the Statement in its annual report; and
- d) ACIAR's proposed Performance Statement is consistent with the entity's financial information, including its financial statements, that it proposes to include in its annual report.

Systems of risk oversight and management

The Committee will review and provide advice to the Chief Executive Officer on ACIAR's risk oversight and management. In particular it will:

- a) review whether management has in place a current and sound enterprise risk management framework, and associated procedures for effective identification and management of the entity's business and financial risks;
- b) satisfy itself that a sound approach has been followed in managing the entity's major risks including those associated with individual projects, program implementation, and activities;
- c) review the process of developing and implementing ACIAR'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
- d) 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; and
- e) at least annually, commission an entity-wide assurance map that identifies ACIAR's key assurance arrangements.

Systems of internal control

The Committee will review and provide advice to the Chief Executive Officer on ACIAR's:

- Internal control framework by:
 - a) reviewing management's approach to maintaining an effective internal control framework. This framework should include controls in relation to functions performed by external parties such as contractors and advisers;
 - b) reviewing whether management has in place relevant policies and procedures, including Accountable Authority Instructions or their equivalent, and that these are periodically reviewed and updated; and
 - c) satisfying itself that appropriate processes are in place to periodically assess whether key policies and procedures are complied with.
- Legislative and policy compliance by:
 - a) reviewing the effectiveness of systems for monitoring ACIAR's compliance with laws, regulations and associated government policies with which ACIAR must comply;
 - b) reviewing, where relevant, ACIAR's compliance with International Conventions, particularly the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions;
 - c) determining whether management has appropriately considered legal and compliance risks as part of ACIAR's enterprise risk management plan; and
 - d) providing advice to the Chief Executive Officer regarding publication of ACIAR's annual Compliance Report.
- Security controls:
 - a) reviewing management's approach to maintaining an effective internal security system, which includes amongst other things, compliance with the Protective Security Policy Framework.
- Internal audit by:
 - a) reviewing the proposed internal audit coverage and ensuring the coverage takes into account ACIAR's key risks. Making a recommendation regarding approval of the Annual Work Plan by the Chief Executive Officer;
 - b) reviewing all audit reports and provide advice to the Chief Executive Officer on significant issues identified in audit reports and recommend action on significant issues raised, including identification and dissemination of good practice; and
- Business continuity management by:
 - a) satisfying itself that a sound approach has been followed in establishing ACIAR's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.
- Delegations by:
 - a) reviewing whether appropriate policies and associated procedures are in place for the management and exercise of delegations and authorisations.
- Ethical and lawful behaviour by:
 - a) assessing 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.

Other functions

In addition to the four mandatory functions referred to above, the Chief Executive Officer may, from time to time, request that the Committee undertake some or all of the additional functions listed below.

- Internal audit.
The Committee may be requested to:
 - a) advise the Chief Executive Officer on the adequacy of internal audit resources or budget, to carry out its responsibilities. This includes completion of the approved internal audit work plan;
 - b) coordinate the audit programs conducted by internal audit and other assurance functions;
 - c) monitor management's implementation of internal audit recommendations;
 - d) periodically review the internal audit charter to ensure appropriate authority, access and reporting arrangements are in place;
 - e) periodically review the performance of internal audit, and report the results to the Chief Executive Officer;
 - f) recommend to the Chief Executive Officer the appointment of the internal auditor where outsourced or co-sourced; and
 - g) periodically meet with Internal Auditors.
- Governance arrangements.
 - a) The Committee may be requested to periodically review ACIAR's governance arrangements or elements of the arrangements as determined by the Chief Executive Officer and suggest improvements, where appropriate, to the Chief Executive Officer.
- Parliamentary committee reports and external reviews.
 - a) The Committee may be requested to satisfy itself that ACIAR has appropriate mechanisms in place to review relevant parliamentary committee reports and external reviews and evaluations of ACIAR. They may be required to then implement, where appropriate, any recommendations arising from those reports.

Engagement with the ANAO

In undertaking its role, the Committee will engage with the ANAO, as ACIAR'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;
- 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 Chief Executive Officer on action to be taken on significant issues raised in relevant ANAO reports or better practice guides; and
- meet with the ANAO at least once per year.

Annual Work Plan

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

Sub-committees

The Committee may establish one or more sub-committee/s to assist the Committee in meeting its responsibilities, in consultation with the Chief Executive Officer.

The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by the Committee.

Subcommittees should not assume any management functions and management will not exert inappropriate influence over the work of sub-committees.

Reporting

The Committee will, as often as necessary, and at least once a year, report to the Chief Executive Officer on its operations and activities during the year. This report should include a confirmation as to the Chief Executive Officer whether all functions outlined in this Charter have been satisfactorily addressed.

The Committee may, at any time, report to the Chief Executive Officer 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 Chief Executive Officer.

Administrative arrangements

Meetings

The Committee will meet at least four times per year. One meeting is to be dedicated to the review of ACIAR's annual financial statements and performance statements. The Chair is required to call a meeting if asked to do so by the Chief Executive Officer and decide if a meeting is required if requested by another member, internal auditor 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 that covers all the functions outlined in this Charter.

Quorum

A quorum will consist of a majority of Committee members. Where there is more than one external member on the Committee, a quorum will include at least one external member. The quorum must be in place at all times during the meeting.

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 that:

- the agenda for each meeting is approved by the Chair;
- the agenda and supporting papers are circulated to the Committee members at least one week before the meeting; and
- ensure the minutes of the meetings are prepared and maintained. Minutes must be reviewed by the Chair and circulated in a timely manner to each Committee member, as well as to Committee advisers and observers, as appropriate.

Conflicts of interest

Once each year, members of the Committee will provide written declarations, through the Chair, to the Chief Executive Officer declaring any material personal interests 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 Chief Executive Officer, 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 material personal interests 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, in consultation with the Chief Executive Officer where appropriate, 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 Committee members, and actions taken, will be appropriately recorded in the minutes.

Induction

New Committee 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, in consultation with the Chief Executive Officer, will undertake a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chief Executive Officer) with appropriate input sought from the Chief Executive Officer, Committee members, senior management, internal audit, the ANAO, and any other relevant stakeholders, as determined by the Chief Executive Officer.

The Chair will provide advice to the Chief Executive Officer on an external member's performance where an extension of the member's tenure is being considered.

Review of Charter

At least once a year the Committee will review this Charter. This review will include consultation with the Chief Executive Officer.

Any substantive changes to the Charter will be recommended by the Committee and formally approved by the Chief Executive Officer.

Approved

A handwritten signature in purple ink, appearing to read "O. Bennett", is written over the "Approved" text.

Chief Executive Officer

Date: 06/09/2022