Commencement date: August 2017

The ACARA Board is required to establish a 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. The Audit and Risk Committee (the Committee) model adopted by ACARA draws on both the PGPA Act and the template provided by the National Australian Audit Office Better Practice Guide ‘Public Sector Audit Committees Part 2’ (31 August 2011).

1. Purpose

1.1 The Audit and Risk Committee (the Committee) has been established to provide independent advice, assurance and assistance to the Board on ACARA’s risk, control and compliance framework, and its external financial statement responsibilities.

1.2 The main functions of the Committee are:

- assisting ACARA and its Board members to comply with the obligations under the PGPA Act and the Australian Curriculum, Assessment and Reporting Authority Act 2008; and
- providing a forum for communication between the Board, the senior managers of ACARA and the external and internal auditors – the Australian National Audit Office and internal audit service provider, respectively.

1.3 These terms of reference set out the Committee’s objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

2. Scope

2.1 The Board authorises the Audit and Risk Committee, within the scope of its role and responsibilities and with regard for the need to maintain confidentiality, to:

- obtain any information it needs to perform its functions;
- discuss any matters with the external auditor, or other external parties, including obtaining external professional advice;
- request the attendance at Committee meetings of any person who may assist the Committee to perform its functions;
- instigate special audits, investigations and operational reviews as needed;

3. Membership

3.1 The Committee will comprise:
a) a minimum of two Board members
b) between one and four Independent members
c) a total membership of five to six members inclusive of the Chair.

3.2 Members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of ACARA. At least one member of the Committee will have accounting or related financial management experience with an understanding of accounting and auditing standards.

3.3 The Chair of the Committee shall not be the Chair of the Board.

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

3.5 A representative of external audit will be invited to attend all meetings of the Committee as an observer.

3.6 The Chief Executive Officer (however described), the Chief Financial Officer (however described), the Board Secretary (however described) or other ACARA officers may attend meetings as observers, as determined by the Chair, but will not be members of the Committee.

3.7 External expertise may be accessed to assist in the work of the Committee by invitation from the Chair of the Committee.

3.8 New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities. In undertaking its work, the Committee will seek to keep abreast of contemporary developments and leading practices in relation to its functions.

3.9 Before accepting the position, and on an annual basis, nominees must declare formally, in writing, to ACARA any potential conflicts of interest, (financial, material or partiality interests) directly relating to the purpose of the Committee and members will be asked to confirm and declare any conflict of interest at each meeting given that individuals’ circumstances may change.

4. Appointment of members

4.1 The Board is responsible for the appointment of Committee members inclusive of the Chair.

4.2 Members selected from the ACARA Board will be appointed to the Committee for an initial period not exceeding three years. Members may be re-appointed after a review of Committee performance, for a further period not exceeding two years, unless otherwise agreed following discussions with the Chair of the Board.

4.3 Independent Committee members will be appointed for an initial period not exceeding three years. Members may be re-appointed after a review of the Committee’s performance, for a further period (a further performance review must be conducted at least every three years).
5. Committee Responsibilities

5.1 Internal and External Audits

To review all audit reports, provide advice to the Board on significant issues identified in internal and external audit reports, and monitor management’s implementation of audit recommendations:

- providing advice to the Board on significant issues identified in internal and external audit reports and monitoring of implementation of audit recommendations;
- recommending to the Board the appointment of the internal auditor and ensuring the continual independence of the internal audit;
- overseeing the coordination of audit programs conducted by internal audit and other review functions;
- advising the Board on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit work plan;
- reviewing the internal audit charter and work plan, including audit priorities for the year to ensure appropriate arrangements are in place;
- ensuring that the annual Internal Audit work plan is based on ACARA’s Risk Management Register and recommending approval of the Internal Audit work plan by the ACARA Board;
- periodically reviewing the performance of Internal Audit; and
- providing input on the audit coverage proposed by external audit and provide feedback on the audit services provided.
- making recommendations about the appointment or dismissal of an internal auditor.

5.2 Risk Management

- To review whether the Senior Management of ACARA has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of ACARA’s risks.
- To monitor the implementation of ACARA’s risk management procedures and make recommendations to the Board on risk management.
- To review whether a sound and effective approach has been followed by ACARA in developing strategic risk management plans for major projects or undertakings.
- To review whether a sound and effective approach has been followed in establishing ACARA’s business continuity planning arrangements, including the periodical testing of disaster recovery plans.
5.3 Internal control

- To review the adequacy of the organisation's financial management reporting framework in terms of timeliness, accuracy, reliability, and quality of information provided to the Authority for decision making purposes, including budgetary management, control and reporting.

- To review whether management’s approach to maintaining an effective internal control framework, including over external parties such as contractors and advisors, is sound and effective towards ensuring data reliability, completeness and accuracy. This includes consideration of relevant policies and procedures, and practices aimed at embedding an ethical and lawful workplace culture.

- To satisfy itself that the organisation's accounting policies and practices are documented and that a process exists for the periodic review of those policies and practices.

- To review whether appropriate policies and procedures are in place for the management and exercise of delegations.

5.4 External accountability

- The Committee to satisfy itself that the Financial Statements are supported by appropriate management signoff on the statements and on the adequacy of internal control systems.

- To 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), and recommend their signing by the Chair of the Board. Consideration should also be given to processes to ensure that public disclosure documents are accurate.

- Review procedures in place to ensure that the financial information in ACARA's Annual Report is consistent with the signed Financial Statements.

5.5 Legislative and policy compliance

- To determine whether management has appropriately considered legal and compliance risks as part of ACARA’s risk assessment and management arrangements.

- To review the effectiveness of ACARA’s processes for monitoring compliance with relevant laws, regulations and associated government policies.

- To consider the impact of new or amended legislation on ACARA from a risk and compliance perspective.

- To provide advice to the Board regarding ACARA's annual Compliance Report.

5.6 Performance Reporting

- Review the appropriateness of ACARA’s performance reporting (including review of the performance information, systems and framework, and the completeness and accuracy of performance reporting that underpin ACARA’s performance reporting).

- To consider any issues relating to ACARA's performance that the Committee considers warrant review, or are referred to the Committee by the ACARA Board.
Monitor the standard of non-financial performance information provided to the ACARA Board.

Review the proposed reporting of ACARA’s performance to ensure that the information is consistent with ACARA’s reported financial information.

5.7 **Financial reporting and financial controls**

In consultation with management and the external auditors where appropriate, review:

- the accounting policies and practices adopted by ACARA;
- ACARA’s compliance with accounting standards and relevant legislation (including financial delegations) and suggest any ways these might be improved;
- reports to the Committee prepared by the internal auditor including the effectiveness of ACARA’s internal financial controls and make recommendations to the Board about the appointment or dismissal of an internal auditor;
- ACARA’s financial statement in respect of each financial year and recommend to the Board that they be approved and signed; and
- any declarations made by the Chief Executive Officer and the Chief Financial Officer in relation to the financial statements, financial records and systems.

5.8 **Fraud management**

- Evaluate ACARA’s exposure to fraud, including reviewing reports from management and internal audit on any major defalcations, frauds, thefts or losses and to recommend actions to prevent any reoccurrence, and make recommendations to the Board.
- Review ACARA’s Fraud Control Policy and Plan and satisfy itself that ACARA has appropriate processes and systems in place to capture and effectively investigate fraud/corruption related information.

6. **Meetings**

6.1 The Committee will meet at least four times per year. A special meeting may be held to review ACARA’s annual financial statements.

6.2 A quorum will consist of a majority of Audit and Risk Committee members.

6.3 The Chair is required to call a meeting if asked to do so by the Board, or another Committee member.

6.4 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.

7. **Reporting**

7.1 The Committee will regularly, but at least once a year, report to the Board on its operation and activities during the year. The report must include:
• a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;

• an overall assessment of ACARA’s risk, internal control and legislative compliance framework, including details of any significant emerging risks or legislative changes impacting on ACARA; and

• details of meetings held during the relevant period, and the number of meetings each member attended.

7.2 If any other issue of sufficient importance arises, the Committee may provide an additional report to the Board. An individual Committee member may also request a meeting with the Chair of the Board.

8. Administration

8.1 ACARA’s Board Secretariat will be responsible for the provision of secretariat services to the Committee. Services will include:

• circulating supporting papers, after approval from the Chair, at least one week before the meeting; and

• ensuring that the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chair and circulated to each member and Committee observer, as appropriate prior to the following Committee meeting.

8.2 ACARA’s Board Secretariat will be responsible for the review of the Terms of Reference of the Committee on an annual basis, in consultation with the Board. Any substantive changes to the Terms of Reference will be recommended by the Committee and formally approved by the Board.

8.3 The Chair of the Board, will initiate a review of the performance of the Committee at least once every two years. The nature of the review will be determined by the Board. Input, as appropriate, may be sought from the Committee, Board, the Chief Executive Officer, the internal and external auditors, management and any other relevant stakeholders, as determined by the Chair of the Board.

9. Guiding Principles

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

• act in the interests of ACARA;

• apply good analytical skills, objectivity and good judgement; and

• express opinions constructively and openly, raise issues that relate to the Committee’s responsibilities and pursue independent lines of enquiry.