



**Australian Government**

**Australian Reinsurance Pool Corporation**

# Audit and Compliance Committee Charter

## **Purpose**

To outline the functions and responsibilities of the Audit and Compliance Committee.

## **Scope**

This Charter applies to Audit and Compliance Committee Members and ARPC staff, Internal Audit and External Audit.

## **Document relationship**

<b>Policy</b>	Board Charter
<b>Procedure</b>	-
<b>Process</b>	-

<b>Approval Date</b>	<b>Version</b>	<b>Owner</b>	<b>Approver</b>	<b>Next Review</b>
27/09/2019	1.7	Janice Nand (General Counsel)	Board	27/09/2022

## 1. Introduction

The Australian Reinsurance Pool Corporation (ARPC) Board has established an Audit and Compliance Committee (the Committee) in compliance with section 45 (1) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) and PGPA Rule 2014 section 17 - Audit Committee for Commonwealth entities. As required by the PGPA Rule, the Board, as the accountable authority under the PGPA Act, determines the functions of the Committee in this Charter.

The Committee is not responsible for the executive management of these functions but is responsible for engaging with management in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Board, including providing a forum for communication between the Board, the senior management of ARPC, the internal auditor and the external auditor.

## 2. Authority

The Board authorises the Committee, within its 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 Members of the Board, at Committee meetings, and
- obtain legal or other professional advice at the entity's expense, as considered necessary to meet its responsibilities.

## 3. Roles and responsibilities of the Committee

The role of the Committee is to assist the Board to:

- discharge its responsibilities under the Terrorism Insurance Act (TI Act) 2003, and the PGPA Act and PGPA Rules as per this Charter,
- fulfil its responsibilities in relation to ARPC's financial and performance reporting obligations,
- fulfil its responsibilities in relation to ARPC's internal control and statutory obligations, and
- oversee the work of the internal and external auditors.

The Committee is responsible for:

- the efficient and effective operation of the Committee, including reviewing and considering all of ARPC's publicly released material concerning financial information,
- the consideration and endorsement of ARPC's annual financial and annual performance statements, and
- performing the functions as per section 17 of the PGPA Rule 2014 which include reviewing the appropriateness of the accountable authority's financial reporting, performance reporting, system of risk oversight and management, and system of internal control for the entity.

### **3.1 Financial Reporting**

In accordance with section 42(1) (b) of the PGPA Act, ARPC prepares its annual financial statements and subsequently provides them, as soon as practicable, to the Auditor-General. The ANAO, or its contractual representative, is the external auditor for ARPC. The Committee reviews the financial statements and provides advice to the Board (including recommending their signing by the Board). The Committee is responsible for reviewing:

- ARPC's compliance with accounting standards,
- the appropriateness of accounting policies and disclosures, including any significant changes to accounting policies,
- any significant estimates and judgments in financial reports,
- sign-off by ARPC management in relation to the quality of the financial statements, internal controls and compliance,
- the auditor's judgments about the adequacy of the ARPC accounting policies and the quality of the ARPC processes for the preparation of the ARPC financial statements, through discussions with the auditor,
- whether appropriate management action has been taken in response to any issues raised by the auditor, including financial statement adjustments or revised disclosures, and
- processes in place designed to achieve consistency between financial information included in the ARPC annual report and signed financial statements.

The Committee is responsible for confirming annually that ARPC has adequate systems to keep accounting records that properly record and explain its transactions and financial position and keeps those records in a way that:

- enables the preparation of the financial statements required by the PGPA Act, and
- allows those financial statements to be conveniently and properly audited.

### **3.2 Performance Reporting**

The Committee is responsible for reviewing the ARPC systems, procedures and measures for assessing and reporting the achievement of the entity's performance.

Decisions impacting the performance and effectiveness of the Committee and/or internal audit function are referred to the Board for approval, other than the Internal Audit Plan and fees.

### **3.3 Risk oversight and management**

The Board will provide oversight of ARPC's risk management. The Committee will support this and be responsible for reviewing the appropriateness of the systems of risk oversight and management that are established and maintained by the Board. This includes reviewing the adequacy of, and internal audit findings relating to, the Risk Management Framework and the Business Continuity Management Policy.

### **3.4 Internal control**

The Committee is responsible for reviewing the appropriateness of compliance controls, governance arrangements, and the internal control environment. Key areas of review include:

- clear policies and procedures exist for reporting, actioning and documenting breaches of laws, including fraud, theft, and corruption,

- policies are periodically reviewed, updated and recommended to Board for approval,
- procedures are periodically reviewed and updated by management,
- reviewing litigation, claims, fraud and theft reports received from management on all actual and suspected breaches of laws,
- processes in place to assess compliance against key policies and procedures, reporting obligations, laws, regulations, standards and best practice guidelines, and associated government policies with which the ARPC must comply,
- ARPC's compliance with International Conventions where relevant,
- processes for monitoring and managing all other relevant Commonwealth statutes, relating to privacy, archive, and freedom of information,
- compliance with the obligations on ARPC with respect to its reinsurance policies for terrorism risks to record, monitor and maintain assets,
- management's consideration of legal and compliance risks,
- management's assessment of the adequacy of ARPC's information security arrangements,
- that the Committee meets periodically with management, the internal auditor and the external auditor to discuss ARPC's control environment, including the processes for improvement,
- the management of important judgments and accounting estimates,
- processes for the management and investment of funds,
- processes for monitoring and managing the existing service level agreements, and
- systems to prepare and deliver the annual report in accordance with section 46 of the PGPA Act for each financial year (to the Minister before 15 October and tabled in parliament before 31 October).

### **3.5 Internal Audit**

Internal Audit provides independent and objective consulting services to the Board, the Committee, and senior management on financial and operational controls of ARPC. These services are designed to help manage the organisation's risks and allow ARPC to operate in an efficient, effective and ethical manner. The General Counsel (GC) is responsible for management of the internal audit function as a whole and has a direct reporting line to the Committee for internal audit issues.

The Committee's responsibilities for ARPC's internal audit program include:

- reviewing and approving the internal audit plan and fees to confirm it considers ARPC's key risks,
- reviewing all internal audit reports and providing advice and recommendations to the Board on significant issues identified in the internal audit reports,
- communicating the Committee's expectations to the internal auditor,
- monitoring and assessing the progress of the internal audit and any implications that may arise for the control environment review and monitoring management's responsiveness to the internal auditor's findings and recommendations,
- reviewing and assessing information from the internal auditor that may affect the quality of financial reports,
- periodically reviewing the performance of internal audit, and reporting the results to the Board and monitoring the independence of the internal audit function,

- recommending to the Board the appointment, replacement or dismissal of the internal auditor,
- reviewing and agreeing on selection and terms of engagement of the internal audit provider and making recommendations to the Board, and
- at least annually, meeting with the internal auditor without the presence of management.

The purpose, authority and responsibilities of the outsourced internal audit function are set out in attachment 1.

### **3.6 External audit**

The Committee is responsible for reviewing and assessing key areas relating to ARPC's external audit program including:

- reviewing the scope, findings, recommendations and management response in the external audit reports,
- providing advice to the Board on significant issues identified in the external audit reports and recommending action on significant issues raised, including identification and dissemination of good practice,
- reviewing and agreeing the external auditor's terms of engagement, including making recommendations to the Board with respect to the scope of the external audit,
- monitoring the independence of the external audit function,
- monitoring the external auditor activities and performance by:
  - reviewing the proposed external audit plan for each audit, prior to recommending that the Board agree the plan with the external auditor,
  - liaising with the external auditor to confirm that each audit is conducted effectively,
  - reviewing the external auditor's assessment of financial statement compliance,
  - ascertaining systemic causes of any significant year-end audit adjustments,
  - appraising the quality of audit work,
  - confirming that no management restrictions or limitations are placed on the external auditor, and
  - asking the external auditor for an independent judgment of the appropriateness, not just the acceptability, of the accounting principles used and the clarity of the financial disclosure used or proposed to be used by ARPC.
- reviewing and assessing information from the external auditor that may affect the quality of financial reports,
- reviewing with the external auditor any significant disagreements between the external auditor and management, irrespective of whether they have been resolved,
- reviewing all representation letters, being satisfied that the information provided is complete and appropriate, and approving such letters for presentation to the Board, and
- at least annually, meeting with the external auditor without the presence of management.

## **4. Reporting**

### **4.1 Reporting to the Board**

The Chair of the Committee reports to the Board Members at their next meeting on any matters that the Committee considers should be brought to their attention.

The Committee is responsible for regularly updating the Board on its activities. To assist the Board to fulfil its responsibilities, the Committee may make recommendations to the Board in relation to:

- the adequacy of corporate reporting processes and control systems in place,
- the appropriateness of accounting judgements or choices exercised by management in preparing the financial statements,
- whether financial statements provide a true and fair view of ARPC's financial position and performance,
- the scope, adequacy and performance of both the internal and external audit functions, and
- the appointment or removal of the internal auditor.

The Committee annually reports to the Board confirming that all functions/responsibilities outlined in this Charter have been carried out and complies with any other reporting requirements specified by the Board from time to time.

#### **4.2 Management Reporting**

To assist the Committee to carry out this duty effectively, senior management of ARPC is required to inform the Committee of all relevant matters relating to its function, including:

- any changes in accounting policies or their application during the reporting period,
- all material discussions between ARPC and the external auditor concerning ARPC's procedures and its external audit requirements, and
- the methods used to account for unusual transactions, for which there may be no specific accounting standard, including management's reasoning in determining that method.

### **5. Administrative arrangements of the Committee**

#### **5.1 The Committee membership**

- The Committee is comprised of at least three persons, all of whom have the appropriate qualifications, knowledge, skills or experience to assist the Committee to perform its functions in accordance with subsections 17(3)-(5) of the PGPA Rule.
- The Chair of the Committee, who is not the Chair of the Board, is appointed by the Board.
- The Committee can appoint an Acting Chair in the absence of the Chair.
- Ex officio attendees including Board Members (who are not Committee Members), Chief Executive, Chief Financial Officer, external auditor, internal auditor or other management representatives may attend meetings as observers but are not Members of the Committee and do not have voting rights.
- Membership of the Committee is reviewed periodically (but at least every three years) by the Board with the aim of achieving an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience.

If a Committee Member for any reason ceases to be a Board Member, that Member ceases to be a Committee Member. Members wishing to resign from the Committee must provide a written resignation to the Chair of the Board. The Board will appoint a successor in a timely manner, so that the Committee remains legally constituted.

## **5.2 Meetings**

The Committee Chair convenes at least three Committee meetings each year and may convene additional meetings that the Chair or Board considers necessary or desirable to fulfil the Committee's role and functions. All Committee Members are expected to attend each meeting, in person or via tele- or-video conference.

The agenda for each meeting is approved by the Chair. The agenda and supporting papers are circulated at least one week before the meeting including confirmation of date, time and location of meeting.

Minutes of proceedings and resolutions of Committee meetings are kept by the board secretariat or delegate. Minutes must be reviewed by the Chair and circulated within 12 business days of the meeting to each Member and Committee observers, as appropriate. The approval process for the minutes of each meeting is the same as the process undertaken for approval of the Board minutes, as detailed in the Board Charter.

## **5.3 Declarations of interest**

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 in accordance with the Board Conflicts of Interest Policy. 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 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 Members, and actions taken, are appropriately recorded in the minutes.

## **5.4 Quorum and voting**

A quorum is constituted by a majority of Committee Members holding office at that time. Each Committee Member has one vote and the person presiding does not have a second or casting vote. A question is decided by a majority of the votes of the Committee Members present and voting.

Any invited observers may speak at the meeting if invited to do so by the person presiding but have no right to vote.

Where a resolution is unable to be met during the Committee meeting, an out of session by circular resolution may take place, organised by the board secretariat and the Chair of the Committee. In these circumstances a resolution is taken to have been passed if the majority of Committee Members indicate agreement with the resolution and that majority would have constituted a quorum at a meeting of the Committee.

## **5.5 Review of performance of the Committee**

The Committee Chair, in consultation with the Chair of the Board, initiates a review of the performance of the Committee at least once every two years. The review is 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 and external auditors, and any other relevant stakeholders, as determined by the Chair of the Board.

## **6. Ethical and lawful conduct**

The Committee is responsible for assessing whether management 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.

## 7. Access to information, ARPC employees and auditors

The Committee has unrestricted access to ARPC executives and any requested information in order to fulfil its role and undertake its functions. It may interview management and the internal and external auditors with, or without, management present. The Committee is also authorised to seek advice from external consultants or specialists where the Committee considers such advice necessary to fulfil its role and functions.

## 8. Review of Charter

In consultation with the Board, the Committee reviews the Committee Charter at least once every three years. Any substantive changes to the Charter are recommended by the Committee prior to formal approval by the Board.

## 9. Key related document

Key document related to this Charter is:

- ARPC Board Charter

## 10. Version control and history

Date	Version	Author	Summary of changes/circulated to/approved by
6 Nov 2014	0.1	Alison Kelly	Recommendations of internal audit; PGPA Act requirements; alignment with revised 2014 ASX Governance Principles and Recommendations
8 Dec 2014	1.0	Alison Kelly	Minor edits following review by ACC (1 Dec 2014).
27 Oct 2015	1.1	Alison Kelly	Change to approval process for meeting minutes to align with the current Board minute approval process.
8 June 2016	1.2	Joshua Everson	Updated to include amendments from Committee.
10 Nov 2016	1.3	Joshua Everson	Updated to incorporate information from the ANAO Audit and Compliance Committee Guidelines.
13 Feb 2018	1.4	Joshua Everson	Full review and amendment of Charter
13 April 2018	1.5	Chris Wallace/Tracey Tai	- Amendments made as per 5 March A&CC meeting. - Non-material changes made to reflect change in internal audit management to CEO. - Non-material changes made to remove GMGRC responsibilities to board secretariat to reflect organisational changes
5 December 2018	1.6	Tracey Tai	- Amended to include Board delegation to A&CC to review policies and recommend to Board for approval
27 September 2019	1.7	Janice Nand	- Amended to include purpose, authority and responsibility of the internal audit function. - Non-material amendments to make General Counsel responsible for board secretariat



## Attachment 1

### Outsourced Internal Audit Function

#### **Purpose, mission and Board responsibility**

The purpose of the internal audit function is to provide independent, objective assurance and advisory services designed to add value and improve the financial and operational controls of ARPC.

The mission of the internal audit function is to enhance and protect organisation value by providing risk-based and objective assurance, advice and insight. It helps ARPC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The ARPC Board acknowledges that all Members remain ultimately responsible for the internal audit function. The General Counsel (GC) will be the Chief Audit Executive for ARPC, with responsibility for the management of the internal audit function as a whole and has a direct reporting line to the Committee for internal audit issues.

#### **Standards of audit practice**

The internal audit function will be subject to the requirements of the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

The internal auditors will possess and demonstrate the Core Principles for the Professional Practice of Internal Auditing.

#### **Authority and confidentiality**

Subject to compliance with ARPC security policies and legislative requirements, internal auditors are authorised to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documentation and information that is considered necessary to meet their responsibilities. The internal audit function will have full and free access to the A&CC and meet with the A&CC Chair without management.

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. Internal audit staff are responsible and accountable for maintaining the confidentiality of the information received.

Internal audit is not authorised to:

- perform any operational duties for ARPC,
- initiate or approve accounting transactions external to the internal audit service, or
- direct the activities of any ARPC personnel, except to the extent such members of personnel have been assigned to internal audit or to otherwise assist the internal auditors.

#### **Independence, objectivity and accountability**

To provide for the independence and objectivity the internal audit function will report to the A&CC.

The internal audit function shall be accountable to the A&CC to:

- report at least annually on the overall effectiveness of ARPC internal controls, including any systemic issues requiring Executive Management attention, based on the undertakings of internal audit and other assurance providers
- report at each A&CC meeting on:
  - internal audits completed and their outcomes;
  - progress on implementing the three-year internal audit plan;
  - progress status report on the annual work plan, including budget performance; and
  - other external body recommendations that relate to the effectiveness of ARPC's risk management, control and governance processes.

### Internal audit function responsibility

The internal audit function has responsibility to:

- Develop and maintain a three-year internal audit plan outlining the direction for internal audit over the medium term and including an overall budget estimate. The audit plan will be submitted to the A&CC for review and approval.
- The planning process will consider business risks for each audit activity and will respond to unforeseen issues and events during the year. The annual work plan will include a program of risk-based reviews. Provide an annual, fully budgeted plan of review to the A&CC detailing staff effort allocation for the forthcoming year.
- Consult with the GC to implement the approved annual plan, agree the dates for each audit activity and outline what may be required to facilitate the activity.
- Establish a quality assurance & improvement program for the operation of internal audit activities.
- Coordinate evaluation and assessment of significant changes to operations and control processes coincident with their development, implementation, and /or expansion.
- Coordinate management responses to internal audit reports.
- Follow-up implementation of outstanding medium or high internal audit recommendations and report result to A&CC.
- Issue periodic reports to A&CC and management summarising results of internal audit activities.
- Keep the A&CC informed of emerging trends and successful practices in internal auditing, risk or financial management.
- Assist in the investigation of suspected fraudulent activities within ARPC and notify management and the A&CC.