



Australian Government

Australian Reinsurance Pool Corporation

# Audit and Compliance Committee Charter

September 2024



## 1. Introduction

The Australian Reinsurance Pool Corporation (ARPC) is a Corporate Commonwealth Entity established under the Terrorism and Cyclone Insurance Act 2003 (TCI Act) and operates under the provisions of both the TCI Act and the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

The ARPC Accountable Authority, which is the Board, has established an Audit and Compliance Committee (Committee) in compliance with section 45 of the PGPA Act and section 17 of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule). In addition, the Board has established a Risk Committee to support the governance of risk. Collectively the Audit and Compliance Committee and the Risk Committee establishes ARPC's systems of risk oversight and control meeting the legislative obligations of the Board under the PGPA Rule.

This charter sets out the Audit and Compliance Committee's role and responsibilities and its administrative arrangements.

## 2. Objectives

The Board retains accountability for the overall governance of ARPC. The Committee's role is to assist the Board in the effective discharge of its responsibilities relating to reviews of ARPC's:

- financial reporting,
- performance reporting,
- systems of risk oversight and management; and
- systems of internal control.

The Committee acts in an advisory capacity to the Board and reports directly to the Board regarding its activities set out in this charter. The Committee has no delegated or decision-making authority from the Board, unless expressly set out in this charter.

## 3. Roles and responsibilities

### 3.1 Financial Reporting

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 also 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. This will include providing advice to the full Board on the appropriateness of ARPC's Performance Statements, Corporate Plan, Annual Report and Financial Outlook Report.

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 Committee is responsible for the establishment and maintenance of appropriate systems of risk oversight and management in accordance with the PGPA Act as demonstrated by the establishment of a Risk Committee.

### 3.4 Internal Control

The Committee is responsible for reviewing the appropriateness of management's approach to maintaining an effective internal control framework. Key areas of review include:

- appropriate processes are in place for assessing whether key policies and procedures, reporting obligations, laws, regulations and standards are being complied with,
- reviewing litigation and claims management's consideration of legal and compliance risks,
- 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.

In support of the above, the Committee will meet regularly with the internal auditor and the external auditor to discuss ARPC's control environment, including the processes for improvement.

### 3.5 Internal Audit

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, which may include a review of risk management capabilities,
- reviewing all internal audit reports and providing advice and recommendations to the Board on significant issues identified in the internal audit reports,
- monitoring and assessing the progress of and reports by internal audit and management response,
- 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,
- at least annually, meeting with the internal auditor without the presence of management.



### 3.6 External Audit

The Committee is responsible for:

- 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.

### 3.6 Other

In carrying out its role, the Committee may review and investigate any matter, or any matter referred to it by the Board, within the scope of this charter and make recommendations to the Board in relation to the outcomes of the review or investigation.

## 4. 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, where appropriate (subject to confidentiality considerations)



- request the attendance of any ARPC 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.

## 5. Structure and Membership

### 5.1 Composition

The Committee consists of at least three Members, all of whom are to have appropriate qualifications, skills, or experience, and are appointed by the Board. All other Members may attend Committee meetings as observers.

At least one member of the Committee must be a member of the Risk Committee.

The Board will appoint the Committee Chair. The Committee Chair cannot be the Board Chair.

The Committee can appoint an acting chair in the absence of the Committee Chair.

The Chief Executive, Chief Financial Officer, Chief Risk Officer, and Company Secretary are standing invitees to Committee meetings. Other management representatives may attend meetings as determined between the Chief Executive and Committee Chair. The Committee Chair, at their discretion, may also invite other attendees to Committee meetings to assist the Committee discharge its responsibilities. All invitees attend as advisers or observers and are not members of the Committee.

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. Committee 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 Role and Responsibilities of the Committee Chair and Committee Members

The Committee Chair is responsible for:

- the conduct of all Committee meetings including (in consultation with management) setting the agenda and ensuring that agenda items and the forward plan align with the Committee's responsibilities, and
- facilitating the effective contribution of all Committee members.

### 5.3 Meeting Operations

The Committee will meet at least three times per year. Additional meetings may be convened, if deemed necessary, by the Committee Chair to meet any specific requirements of the Committee.

Secretariat support is provided to the Committee by the Company Secretary of ARPC. The secretariat will ensure the agenda for each meeting is approved by the Committee Chair, the agenda and supporting papers are circulated as required, and the minutes of the meeting are prepared and maintained.



## 5.4 Declarations of Interest

At the beginning of each Committee meeting, committee 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, a committee member will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s).

## 5.5 Quorum and Voting

A quorum will consist of at least two members of the Committee in attendance at the same time, including via telephone or video conferencing. A quorum must be in place at all times during the meeting.

Each committee member has one vote and the Committee Chair 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.

Where a resolution is unable to be met during a Committee meeting, an out of session circular resolution may take place, organised by the Secretariat and the Committee Chair. 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.

## 5.6 Reporting and Review

The Committee Chair, or their nominee will report to the Board after each meeting of the Committee regarding its activities.

The minutes of each Committee meeting must be included in the papers for the next scheduled Board meeting following approval by the Committee Chair.

The Committee Chair, in consultation with the Chair of the Board, initiates a review of the performance of the committee at least annually. The review is conducted on a self-assessment basis (unless otherwise determined by the Board), with appropriate input sought from all relevant stakeholders, as determined by the Chair of the Board.

In consultation with the Board, the Committee will review the committee charter at least once every three years. Any substantive changes to the charter are to be recommended by the Committee to the Board for approval.

## 5.7 Access to Officers

The Chief Financial Officer has direct and unrestricted access to the Committee Chair order to fulfil their respective roles and functions.

## 6. Key related documents and Version Control

- Key documents related to this Charter include:
  - Board Charter
  - Risk Committee Charter

- Version Control and history

Date	Version	Author	Summary of changes/circulated to/approved by
September 2024	2.0	Company Secretary	Amended to reflect establishment of Risk Committee and its roles and responsibilities.
August 2021	1.8	CG&RO	Amended to include additional risk responsibilities to assist the Board in oversight of risk. Committee name amended to include Risk in title (ARCC).
6 Nov 2014 – 27 Sept 2019	0.1-17	ARPC Management	Various historical amendments to the charter since Committee established in accord with PGPA Act and PGPA Rule; and amendments recommended by the Board as part of scheduled review cycle.

