

Appendix 3: Audit, Risk & Performance Committee Charter

[Updated September 2021

Introduction

Indigenous Business Australia (**IBA**) is a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (Cth) (**PGPA Act**).

The Accountable Authority for IBA is the IBA Board (**Board**).

The Board is required under the PGPA Act to ensure that IBA has an audit committee (subsection 45(1)) and that committee is constituted and performs functions in accordance with any requirements prescribed by the associated rules (subsection 45(2)).

1. Role and authority

The Audit, Risk and Performance Committee (**Committee**) is a committee of the Board. Its role is to provide advice, assurance and support to the Board - the Committee is not responsible for the executive management of its functions. The Committee will engage with management in a constructive and professional manner in discharging its functions and formulating its advice.

The Board authorises the Committee, within the scope of its functions, to:

- a) obtain any information it needs from any employee or external party (subject to confidentiality, secrecy and privacy obligations);
- b) discuss any matters with the Australian National Audit Office (**ANAO**), representatives of the internal audit function (**Internal Audit**) or other external parties (subject to confidentiality, secrecy and privacy obligations);
- c) recommend the engagement of external consultants to provide advice to management on anything within the Committee's remit;
- d) request the attendance of a Board member or any IBA employee (including the CEO) at Committee meetings; and
- e) seek external legal or other professional advice for the benefit of the Committee. If such advice is required, the Committee Chair will seek approval from the Board Chair. The Board Chair may approve the procurement of such advice under the IBA Board Governance Charter as is necessary

to permit the Committee to discharge its functions. If approved, the advice will be provided at IBA's expense.

2. Nature of Committee deliverables

Specific 'deliverables' are set out in connection with certain functions in this Charter. With respect to each of its functions the Committee should provide substantive advice on its views to the Board, state the level of assurance it is able to provide to the Board and not merely state that it does not know of anything that would indicate any aspect of IBA's reporting, management, processes or systems is not appropriate. Appropriate in this context has its ordinary meaning of suitable or fit for purpose.⁴⁸

3. Committee functions

This Charter sets out the functions of the Committee, in compliance with *Public Governance, Performance and Accountability Rule 2014 (Cth) (PGPA Rule)*, rule 17.

3.1. Financial reporting

3.1.1. Function

The Committee is to review and provide advice on the appropriateness of IBA's financial reporting, including in relation to:

- a) IBA's Annual Financial Statements;
- b) the Annual Financial Statements for IBA subsidiaries;
- c) information (other than Annual Financial Statements) requested by the Department of Finance in preparing the Australian Government's consolidated financial statements, including the supplementary reporting package;
- d) compliance with the mandatory requirements of the PGPA Act, the PGPA Rule, the Accounting Standards and supporting guidance;
- e) management's processes and systems for preparing financial reports;
- f) financial record keeping; and

⁴⁸ Refer to guidance published by the Department of Finance, including Resource Management Guide 202 on the role of audit committees.

- g) processes in place to allow IBA to stay informed throughout the year of any changes or additional requirements in relation to the financial reporting.

3.1.2. Deliverable

The Committee is to provide an annual written statement to the Board addressing:

- a) whether the Annual Financial Statements (and any additional information required by the Department of Finance) in the Committee's view, comply with the PGPA Act, the PGPA Rule, the relevant Accounting Standards and supporting guidance;
- b) whether the Annual Financial Statements have, in the Committee's view, been prepared on the basis of properly maintained financial records;⁴⁹ and
- c) the appropriateness of IBA's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

Note: See also section 2 on Committee deliverables.

3.2. Performance reporting

3.2.1. Function

The Committee is to review and provide advice on the appropriateness of IBA's:

- a) systems, framework and procedures for assessing, monitoring and reporting on achievement of IBA's performance, and the completeness and appropriateness of performance reporting. In particular, the Committee is to satisfy itself that:
 - i. IBA's Portfolio Budget Statements and Corporate Plan contain appropriate details of how IBA's performance will be measured and assessed;
 - ii. IBA's reported performance information is relevant, reliable and complete;⁵⁰
 - iii. IBA's approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and Corporate Plan is appropriate and in accordance with the Commonwealth performance

⁴⁹ In accordance with PGPA Act, s 41(2).

⁵⁰ Refer to Department of Finance *Resource Management Guide 131 – Developing Good Performance Information*.

framework. This may include reviewing, over time, particular elements of the performance measures;

- iv. IBA has appropriate systems and processes for preparation of its Annual Performance Statement and inclusion of the Annual Performance Statement in its Annual Report.

b) Annual Performance Statement.

3.2.2. Deliverable

The Committee is to provide an annual written statement to the Board addressing the appropriateness to IBA of:

- a) IBA's Annual Performance Statements; and
- b) IBA's performance reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

Note: See also section 2 on Committee deliverables.

3.3. Performance outcomes

3.3.1. Function

The Committee is to review IBA's performance against:

- a) the performance criteria and targets set out in its current Portfolio Budget Statements and Corporate Plan; and
 - b) the risk tolerance indicators set out in the Risk Management Policy and Procedures;
- and advise the Board of significant performance trends and risks as appropriate.

3.4. Risk oversight and management

3.4.1. Function

The Committee is to review and provide advice on the appropriateness of IBA's:

- a) enterprise risk management policy framework and the necessary internal controls for the effective identification and management of the entity's risks;

- b) approach to managing IBA's key risks—including those associated with individual projects and program implementation and activities;
- c) process for developing and implementing IBA's fraud control arrangements consistent with the fraud control framework, and satisfy itself that IBA has adequate processes for detecting, capturing and effectively responding to fraud risks;
- d) articulation of key roles and responsibilities relating to risk management and adherence to them by IBA officials.

3.4.2. **Deliverable**

An annual written statement to the Board addressing the appropriateness of IBA's system of risk oversight and management and any specific areas of concern or suggestions for improvement.

Note: See also section 2 on Committee deliverables.

3.5. **System of internal control**

3.5.1. **Function**

The Committee is to review and provide advice on the appropriateness of IBA's:

- a) internal control framework, including;
 - i. reviewing whether management has in operation appropriate policies and procedures;
 - ii. reviewing whether appropriate processes are in place for assessing whether key policies and procedures are complied with;
- b) legislative and policy compliance including;
 - i. reviewing the effectiveness of systems for monitoring IBA's compliance with laws, regulations and associated government policies with which IBA must comply;
 - ii. determining whether management has adequately considered legal and compliance risks as part of IBA's enterprise risk management framework, fraud control framework and planning;
- c) security compliance, including;

- i. reviewing management’s approach to maintaining an effective internal security system, including satisfying itself that management periodically reviews the adequacy of its information security arrangements;
- d) internal audit coverage, including;
 - i. reviewing the proposed internal audit plan and budget, ensuring that the internal audit plan takes into account IBA’s primary risks;
 - ii. reviewing all internal audit reports and providing advice to the Board on major concerns identified in those reports;
 - iii. identifying and disseminating information on good practice;
 - iv. monitoring management’s compliance with internal audit findings; and
 - v. approving and periodically reviewing the Internal Audit Charter.

3.5.2. **Deliverable**

The Committee is to provide an annual written statement to the Board addressing the appropriateness of IBA’s system of internal control, with reference to any specific areas of concern or suggestions for improvement.

Note: See also section 2 on Committee deliverables.

3.6. **Oversight of subsidiaries**

3.6.1. **Function**

The Committee is to review and provide advice on the appropriateness of IBA’s oversight of subsidiaries and group corporate governance arrangements.

3.7. **Business continuity**

3.7.1. **Function**

The Committee should satisfy itself that IBA has taken an appropriate approach in establishing business continuity planning arrangements—including whether business continuity and disaster recovery plans have been periodically updated and tested.

3.8. Ethical and lawful conduct

3.8.1. Function

The Committee should satisfy itself that IBA 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.

3.9. External reports, reviews and evaluations

3.9.1. Function

The Committee should satisfy itself that IBA has appropriate mechanisms for reviewing relevant external reports (including Parliamentary Committee reports), external reviews and evaluations of IBA and, where appropriate, implementing any recommendations.

4. ANAO and Internal Audit attendance

ANAO and Internal Audit representatives will be routinely invited to observe specified agenda items and present at Committee meetings to share information and gain insights into IBA's operations, including:

- a) the development of audit work plans;
- b) providing information about the progress and outcomes of the audit by the ANAO of IBA's Annual Financial Statements and Annual Performance Statement;
- c) management's responses to internal and external audit recommendations;
- d) providing advice to the Committee about any significant issues arising from audits.

ANAO and Internal Audit representatives will be provided with Committee meeting papers (subject to confidentiality and secrecy restrictions) upon request.

5. Reporting

5.1. Regular reporting to the Board

The Committee is to provide regular, written updates to the Board on its activities, including addressing any matter requested by the Board Chair.

5.2. Annual report to the Board

The Committee will provide a Committee Annual Report to the Board by 31 December each year for the previous twelve month period. The Committee Annual Report is to:

- a) outline the key activities taken by the Committee to discharge its functions; and
- b) set out the annual attendance records of Committee members.

6. Conflicts of interest

The principles and procedures set out in section 9 of the Board Governance Charter apply to Committee members (including external members) to the extent applicable, including but not limited to the following:

- a) It is the responsibility of Committee members to disclose any actual, perceived or potential conflict of interest to the Committee.
- b) As part of the annual declaration of interests process outlined at section 9 of the Board Governance Charter, Committee members (including external members) must provide written declarations of any interests that may actually, or be perceived to, conflict with their Committee responsibilities. These will be listed on a register of interests. Committee members must update their declarations on an ongoing basis, as and when any new interests arise.
- c) For the avoidance of doubt, Committee members who are also Board members should also declare all relevant interests for both the Committee and Board as part of the same process.
- d) If a conflict of interest arises in relation to a matter appearing on the Committee's agenda, a Committee member must make a declaration as soon as possible, and at the latest before discussion of the relevant agenda item or topic.
- e) The Committee (excluding the conflicted member) must determine whether or not the conflicted member is permitted to be present for Committee deliberations and if they are permitted to vote on the issue.
- f) Details of the Committee member's interests and actions taken to manage the conflict will be appropriately minuted.

7. Membership

7.1. Appointment

The Committee, including the Committee Chair, will be appointed by the Board.

7.2. **Composition**

The Committee membership will consist of at least 3 Board members (including the Committee Chair). In addition, up to two external members may be appointed.⁵¹ The total number of Committee members (internal and external) is not to exceed the total composition of the Board at any given time.

7.3. **Skills and qualifications**

Committee members will have appropriate skills, qualifications, knowledge and experience to assist the Committee to perform its functions. At a minimum, the skillset of the Committee should include relevant technical skills (including knowledge of accounting and auditing standards), appropriate policy and subject matter knowledge, and a strong understanding of IBA's operating context.

7.4. **Attendance**

Members are required to attend all meetings in full, excluding any items which may present a conflict of interest in accordance with section 6. Committee member attendance will be monitored by the Committee Chair.

7.5. **Induction**

The Committee Chair and the Company Secretary are responsible for the induction of new Committee members to assist them with meeting their Committee responsibilities.

8. **Administrative arrangements**

8.1. **Mode of meetings**

Meetings may be held in person, by telephone, by internet link, or other comparable technology as approved by the Committee Chair.

⁵¹ External in this context means neither a Board member or an official of IBA. See PGPA Rule, rule 17(3) and (4AA).

8.2. Minimum number of meetings

The Committee will meet at least four times each year and more frequently as the Committee Chair deems necessary. The time between meetings should not exceed four months.

8.3. Quorum

At least half of all Committee members must be present at a meeting for a quorum to be attained.

8.4. Resolutions

Resolutions will concern:

- a) matters which the Committee proposes to recommend or report to the Board;
- b) the amendment or verification of Committee meeting minutes;
- c) the performance of the Committee;
- d) matters delegated or referred to the Committee by the Board; and
- e) matters which this Charter require to be considered, endorsed or otherwise recommended by the Committee

Other matters are to be noted as required.

Resolutions are passed by the majority of Committee members present at a meeting and entitled to vote on the motion.

8.5. Circulating resolutions

- a) Circulating resolutions are passed by all Committee members entitled to vote on the motion (i.e. unanimous approval).
- b) Approval of a circulating resolution may be evidenced by an email containing the Committee member's approval of the resolution.

8.6. Annual Work Plan

The Committee will prepare an annual work plan and meeting schedule that outlines the activities to be undertaken to fulfil its functions.

8.7. Secretariat

- a) The Company Secretary or another person designated by the General Counsel will perform the Secretariat function for the Committee.
- b) The Secretariat will prepare the agenda for each Committee meeting in consultation with the Committee Chair and Chief Executive Officer, having regard to the Committee annual work plan. Agendas are to be circulated to the Committee sufficiently in advance of each meeting.

8.8. Meeting Papers

- a) All papers presented to the Committee require the prior approval of the Chief Executive Officer. Papers are also required to have the prior approval of the Chief Financial Officer (for financial reporting and matters with significant financial implications) and the General Counsel (in respect of governance matters) as appropriate.
- b) Electronic copies of meeting papers are to be circulated to the Committee at least five days in advance of the scheduled Committee meeting, or otherwise as soon as possible. Hard copies of meeting papers will only be provided in special circumstances.

8.9. Minutes

The Committee may verify meeting minutes at its next meeting or by circulating resolution. The Committee Chair is to sign the minutes as soon as practicable following verification by the Committee.

8.10. Electronic Devices

- a) IBA may issue an electronic device (e.g. laptop or tablet device) to Committee members for their period of tenure for the purpose of accessing meeting papers.
- b) Meeting papers provided electronically will remain available on IBA issued devices for viewing 3 months after the Committee meeting, after which time they will be removed from the device. All annotations electronically marked on Committee papers by members will be removed upon archiving.

8.11. Travel

- a) Committee members who are members of the Board are required to comply with Appendix 7 of the Board Governance Charter.

- b) Travel arrangements for external Committee members will be governed by the relevant engagement contract, having regard to the principles set out in Appendix 7 of the Board Governance Charter as required.

9. Review Arrangements

- a) The Committee will review its performance at least every 18 months. The review may be conducted internally or externally and will be coordinated by the Committee Chair and Company Secretary.
- b) The Committee will review this Charter annually. Any proposed amendments to this Charter will be approved by the Board.

APPENDIX A: Considerations for audit committees (Department of Finance)

APPENDIX B: Skills matrix (Department of Finance)

Appendix A: Considerations for audit committees

The following boxes contain some general considerations that could assist audit committees reviewing the functions listed in subsection 17(2) of the PGPA Rule. In view of its knowledge and experience, an audit committee will need to ask more specific, fit for purpose questions relevant to the entity's particular operating context.

Financial reporting review function

Box 1 Financial reporting: audit committee considerations for providing advice

The following are some matters to consider for an audit committee when reviewing the appropriateness of the accountable authority's financial reporting:

- Has the committee had access to the information it needs in order to form a view on the appropriateness of the accountable authority's financial reporting, including any necessary certifications from management?
- Is the committee satisfied that the entity has effective processes in place for preparation of financial reports?
- Is the committee satisfied with the entity's process for preparing additional information required by the Department of Finance to prepare the Australian Government consolidated financial statements?
- Is the committee satisfied that
 - any new reporting requirements have been adequately explained?
 - all reports comply with the relevant accounting standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* requirements?
 - balances involving significant judgement and estimation are adequately supported?
 - all significant or unusual transactions have been adequately explained?
 - effective quality assurance processes have been followed?
 - any significant changes to accounting policies for annual financial statements are disclosed?

- Has the committee been fully briefed on any significant matters—including errors or discrepancies in the draft annual financial statements identified by ANAO—and have adjustments been made to the financial statements where appropriate?
- Is the committee satisfied with the entity’s processes for staying informed throughout the year of any changes or additional requirements in relation to financial reporting?
- Is the committee satisfied that there is proper financial record keeping?
- Has management taken or initiated action to redress any major control or other shortcomings identified by Finance, the ANAO or internal audit?

Performance reporting review function

Box 2 Performance reporting: audit committee considerations for providing their advice

The following are some matters to consider for an audit committee when reviewing the appropriateness of the accountable authority’s performance reporting:

- Is the performance information appropriate—that is, relevant, reliable and complete?
- Does the committee have a good understanding of the measures against which the entity will assess its performance and how these measures were identified? Do they reflect the success of the entity in achieving its purpose?
- Does the committee have a good understanding of the systems, controls and processes that enable the entity to report against its performance?
- Does the committee understand who benefits from an entity’s activities and how they benefit?
- Is the committee satisfied that the entity’s performance reporting arrangements
 - meet the requirements of the PGPA Act and Rule?
 - have regard to the Commonwealth performance framework guidance material?
 - reflect any comments and recommendations made in relation to ANAO audit reports?
 - cover the entire performance reporting cycle?

- Has the committee had access to the information it needs in order to form a view on the appropriateness of the accountable authority's performance reporting, including any necessary certifications from management?
- In undertaking its role, the audit committee may judge that a rolling approach to detailed review is likely to be of greater value than to attempt to cover every performance area in the one year.

System of risk oversight and management review function

Box 3 Risk oversight and management: audit committee considerations for providing their advice

The following are some matters to consider for an audit committee when reviewing the appropriateness of the accountable authority's system of risk oversight and management:

- Has the committee had access to the information it needs in order to form a view on the appropriateness of the accountable authority's system of risk oversight and management, including any necessary certifications from management?
- Is the entity's risk management framework comprehensive, in keeping with the Commonwealth Risk Management Policy and up to date? Does it cover all aspects of the entity's operations and is it sufficient for the entity, having regard to the nature and extent of the entity's risks?
- Have all major risks been identified—including fraud risks—and have strategies for managing those risks been established?
- Has management satisfied the audit committee that it is managing the entity's risks—including that the controls designed to mitigate these risks are relevant and are working effectively and that responsibilities are clearly assigned?
- Has the committee identified information about any significant internal control breakdown or near miss? Is the committee satisfied that the entity's management has implemented the lessons learnt and the risks have been reassessed and treated accordingly?
- Does the committee perceive any emerging risks or significant changes to the entity's strategic risks that should be captured by the entity's management and properly treated?
- Does the committee receive all information on potential or actual fraudulent activity and the outcomes of fraud investigations?
- Has management satisfied the audit committee that it creates and manages the organisation's risk culture effectively—including whether officials are taking account of risk and the entity's risk appetite in their decision-making?
- Has the committee satisfied itself that the primary roles and responsibilities relating to risk management are clearly expressed and work effectively?

System of internal control review function

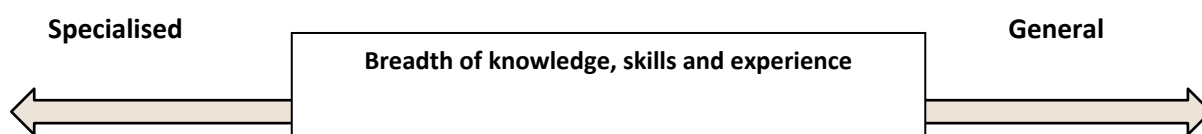
Box 4 Internal control: audit committee considerations for providing its advice

The following are some matters to consider for an audit committee when reviewing the appropriateness of the accountable authority's system of internal control:

- Has the committee had access to the information it needs in order to form a view on the appropriateness of the accountable authority's system of internal control, including any necessary certifications from management?
- Are the entity's accountable authority instructions, delegations, policies and procedures kept up to date and are they easily accessible to all staff?
- Do the entity's internal controls link to the key risks identified for the entity and are there arrangements for monitoring and assessing the effectiveness of and compliance with internal controls?
- Is the committee satisfied that management has effective processes for assessing the adequacy of the entity's information security arrangements—including complying with entity reporting obligations?
- Does the entity have effective controls for services provided to it by other entities or external parties?
- Has management satisfied the audit committee that the entity is aware of its legislative responsibilities and has in place processes designed to identify non-compliance?
- Is the committee satisfied that the entity has in place processes for identifying instances of any significant issues, including significant non-compliance with the finance law, which can affect the entity or its subsidiaries? Does the entity have effective processes for notifying its minister and the Minister for Finance of instances of any significant issues? Was appropriate mitigation action taken to prevent the issue from recurring in future?
- Is internal audit coverage aligned with the entity's primary risks, and does internal audit have adequate resources to complete its work program within the agreed timeframe?
- Do internal audit reports focus on significant matters, and does management take remedial action as required?
- Does the entity have effective business continuity and disaster recovery plans that are regularly tested and continuously improved?

- Do the accountable authority and management effectively communicate to all staff their responsibilities in relation to proper use and management of public resources and ethical behaviour and conduct?

Appendix B: Skills matrix



Audit committee review of:	Audit committee collective knowledge	Each member to be familiar with	General desirable skills for each member
Financial reporting	<ul style="list-style-type: none"> ✓ Accounting and auditing standards ✓ Accounting and financial management 	<ul style="list-style-type: none"> ✓ The entity's operating context ✓ PGPA Act and rules 	<ul style="list-style-type: none"> ✓ Business or industry in which the entity operates
Performance reporting	<ul style="list-style-type: none"> ✓ Sound understanding of the entity's purpose, and its business and services ✓ Sound understanding of an industry/environment the entity is operating ✓ Sound understanding of the Commonwealth performance framework and expectations for the performance reporting to inform the public and the Parliament 	<ul style="list-style-type: none"> ✓ The Commonwealth performance framework ✓ Relevant legislative and policy requirements ✓ The roles of external and internal audit ✓ Entity's Portfolio Budget Statement and government outcomes 	<ul style="list-style-type: none"> ✓ Strategic thinking and awareness of government priorities ✓ Ability to question, enquire and investigate information ✓ Completion of relevant recognised qualification ✓ Research and data interrogation
System of risk oversight and management	<ul style="list-style-type: none"> ✓ Commonwealth Risk Management Policy ✓ Risk identification, evaluation and management in complex organisations ✓ Public/private sector risk management experience ✓ Good understanding of public sector emerging risks and opportunities 	<ul style="list-style-type: none"> ✓ Information management and security 	<ul style="list-style-type: none"> ✓ Audit process management ✓ Program and project management ✓ Strong leadership and stakeholder management
System of internal control	<ul style="list-style-type: none"> ✓ Accountability and internal control resource management guidance ✓ Operations of government and the public sector ✓ Understanding of processes, practices and record keeping in complex organisations 		

Audit committee review of:	Audit committee collective knowledge	Each member to be familiar with	General desirable skills for each member
	<ul style="list-style-type: none"> ✓ Understanding of compliance and internal control principles revision ✓ Understanding of the key elements of control effectiveness and methodologies of assessment ✓ Understanding of requirements of information and communication technology 		