



AUDIT RISK AND FINANCE COMMITTEE CHARTER

Authorising Officers:

	Endorsed by the ARFC Committee	Approved by the AHL Board
Name:	David Evans	Sue Gordon
Position:	Chair, ARFC Committee	Chair, AHL Board
Approval Date:	February 2020	
Review Date:	At least once a year the committee will review this Charter. This review will include consultation with the Board.	

The Aboriginal Hostels Limited (AHL) Board of Directors approved the revised ARFC Charter at meeting 268 in accordance with Board Resolution 4265.

The Aboriginal Hostels Limited (AHL) Board of Directors established the Audit Risk and Finance Committee (ARFC) in compliance with section 45 of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) and PGPA Rule section 92 Audit Committees for Commonwealth Companies.

The Audit Risk and Finance Committee is a sub-committee of the AHL Board.

This Charter sets out the committee's purpose, authority, responsibilities, membership, reporting and administrative arrangements.

Purpose

The Board of Aboriginal Hostels Limited has established the Audit Risk and Finance Committee to assist the Board discharge its responsibilities under the Public Governance, Performance and Accountability Act 2013. The committee's role is to provide independent assurance to the Board on the appropriateness of the following functions:

- Risk oversight and management;
- System of internal control/ Internal audit;
- Financial planning;
- Financial reporting;
- Performance reporting;
- Legislative and policy compliance.

For these functions, specific Committee responsibilities agreed by the AHL Board are detailed in **Annex A**.

The committee will provide a regular statement to the Board whether these functions are appropriate for AHL, with reference to any specific areas of concern or suggestions for improvement.

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 responsibilities and formulating its advice to the AHL Board.

Members of the committee are expected to understand and observe the requirements of the PGPA Act and Rule. Members are also expected to:

- act in the best interests AHL 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 and consider appropriate professional development.

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 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 AHL's expense, as considered necessary to meet its responsibilities.

Membership

The Committee comprises up to five members, appointed by the Board.¹ At least two of the members will be drawn from the Board and at least two members will be external appointees with either:

- Experience and understanding of the public and/or private service sector, able to bring skills and knowledge relevant to AHL's core business or this committee's function; and / or
- Qualifications and experience in finance, risk and accounting and with an understanding of accounting and auditing standards in a public sector environment.

The Board will appoint a non-executive member as the Chair of the committee; normally a member of the Board, other than the Chair of the Board.

The committee is authorised to appoint a Deputy Chair who will act as chair in the absence

¹ The Audit Risk and Finance Committee may have a temporary increase in the number of members as a result of staggering the rotation of members.

of the Chair.

The Chair of the Board and other Board members may attend committee meetings, and when they elect to do so, will require copies of committee papers.

A representative(s) of ANAO will be invited to attend all meetings of the committee, as an observer.

Membership of the committee will be reviewed periodically (but at least every three years) by the AHL Board with the aim of ensuring an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience.

The committee will adopt and maintain a program of induction, training and awareness raising for its members, with the objective of enabling the committee to keep abreast of contemporary developments and leading practices in relation to its functions.

Standing invitees

The following positions will be invited to each meeting ex officio:

- Chief Executive Officer
- Chief Financial Officer

The Chief Executive Officer is not required to attend each meeting but will be expected to attend for significant agenda items.

Sub-committees

The committee may establish one or more sub-committee/s to assist the full committee in meeting its responsibilities.

The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by the full committee. The committee stipulates that:

- A member of the full committee is appointed as Chair of the sub-committee; the membership of sub-committees may extend beyond members of the full committee if additional expertise on particular matters is required;
- Minutes of all meetings of sub-committees are to be taken, distributed promptly to all members of the full committee, and tabled for discussion at the next full committee meeting; and
- Important issues that may require consideration by the full committee are brought to the attention of the Chair immediately following a sub-committee meeting so that the Chair is in a position to decide what action to take.

Engagement with the ANAO

The committee will engage with the ANAO, as the entity'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 Board on action to be taken on significant issues raised in relevant ANAO reports or better practice guides
- Meet privately with the ANAO at least once per year.

Authority of the committee

All decisions of the committee shall be referred to the AHL Board for approval, other than:

- The appointment, replacement or dismissal of the Head of Internal Audit [or the internal audit service provider];
- An organisation-wide assurance map.

Reporting

The committee will regularly update the Board on its activities and make recommendations to the Board, as appropriate.

The Chair of the committee will report to the Board at the next Board meeting following a meeting of the committee on any matters that the committee considers should be brought to the attention of the Board.

The committee will at least once annually confirm to the Board that all functions/responsibilities outlined in this charter have been carried out, and comply with any other reporting requirements specified by the Board from time to time.

Administrative arrangements

Meetings

The committee will meet at least four times per year. One or more special meetings may be held to review AHL's annual financial statements or to meet other responsibilities of the committee.

All committee members are expected to attend each meeting, in person or via tele-or-video conference.

The Chair is required to call a meeting if asked to do so by the Board and decide if a meeting is required if requested by another member, Audit and Risk Unit 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, and that covers all the responsibilities outlined in this charter.

Quorum

A quorum will consist of a majority of committee members. The quorum must be in attendance at all times during the meeting.

Secretariat

The CFO/Company Secretary will provide secretariat support to the committee. The secretariat will: ensure the agenda for each meeting is approved by the Chair; the agenda and supporting papers are circulated, 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 within two weeks of the meeting to each member and committee observers, as appropriate.

Conflicts of interest

Once each year, members of the committee will provide written declarations, through the Chair, to the Board 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 Board, 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 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, will be appropriately recorded in the minutes.

Induction

New 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 will initiate a self-assessment of the performance of the committee at least once every two years. The review will involve input from the Board, each committee member, senior management, Audit and Risk Unit, the ANAO, and any other relevant stakeholders, as determined by the committee.

Review of Charter

At least once a year the committee will review this charter. This review will include consultation with the Board.

Any substantive changes to the charter will be recommended by the committee and formally approved by the Board.

Annexure A

Responsibilities of the AHL Audit Risk and Finance Committee

Risk Oversight and Management

- Determine whether a sound and effective approach and framework has been established for the identification, management and reporting of risks.
- Review and approve the entity's enterprise risk appetite statement.
- Review and approve the entity's enterprise risk management plan.
- Review the approach to managing AHL's key risks—including those associated with individual projects and program implementation and activities.
- Review the articulation of key roles and responsibilities relating to risk management and adherence to them by AHL officials.

System of Internal Control/Internal Audit

Internal controls framework

- Assess whether management has in place comprehensive and relevant policies and procedures designed to maintain an effective internal control framework, including over external parties such as contractors and advisers.
- Assess the process for developing and implementing the AHL's fraud control arrangements and satisfy itself that AHL has adequate processes for detecting, capturing and effectively responding to fraud risks.
- Assess the adequacy of AHL's physical and information technology security arrangements

Delegations

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

Business continuity management

- Determine whether a sound and effective approach has been followed in establishing AHL's business continuity planning arrangements, including whether business continuity and disaster recovery plans are periodically updated and tested.

Ethical and lawful behaviour

- Assess 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.

Internal audit

- Review and approve the Internal Audit charter.
- Review the proposed internal audit coverage, ensure the coverage is aligned with AHL's key risks; and approve the Internal Audit Plan.
- Review all audit reports and provide advice to the Board on significant issues identified in audit reports and recommend action on issues raised, including identification and dissemination of good practice.

- In consultation with management, review and approve the appointment, replacement or dismissal the Head of Internal Audit (in the case of an in-house internal audit function) or the appointment of the internal audit service provider.
- Monitor management's implementation of internal audit recommendations.
- At least once each year, assess the performance of internal audit.
- Meet separately, as required with the Head of Internal Audit (but not less than once per year) and obtain an annual report from the head of internal audit on the overall state of AHL's internal controls.

Legislative and policy compliance

- Assess the effectiveness of the system for the identification and monitoring of AHL's compliance with those laws, regulations and associated government policies that the entity must comply with.
- Determine whether management has appropriately considered legal and compliance risks as part of the entity's enterprise risk management plan.

Financial Planning

- Review and recommend to the Board:
 - policies that maintain and improve the financial health and integrity of AHL.
 - a 3 year financial plan for AHL.
 - an annual operating budget and annual capital budget consistent with the 3 year financial plan and financial policies.
 - capital expenditures and unbudgeted operating expenditures that exceed management spending authority.
- Assess the financial aspects of major proposed transactions, new services, as well as proposals to discontinue services and make recommendations to the Board.

Financial Reporting

- Review processes and systems for preparing financial reporting information.
- Review the annual audited financial statements and provide advice to the Board (including recommending their signing by the Chair of the Board). In particular, the committee will:
 - Review compliance with the PGPA Act, the PGPA Rules, accounting standards and supporting guidance.
 - Assess any significant changes to accounting policies and practices (by May each year).
 - Review significant or unusual transactions.
 - Assess whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures.

- Review the processes in place designed to ensure that financial information included in AHL's annual report is consistent with the signed financial statements.
- Monitor the standard of financial information provided to the AHL Board, and discuss with the ANAO the auditor's judgments about the adequacy of AHL's accounting policies and the quality of AHL's processes for the preparation of AHL's financial statements.
- Monitor the financial performance of AHL against budgets, long-term trends and industry benchmarks.

Performance Reporting

- Assess whether AHL's Portfolio Budget Statements entry and corporate plan contain appropriate details of how the Company's performance will be measured and assessed.
- Review whether AHL's approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements entry and corporate plan is appropriate and in accordance with the [Commonwealth performance framework](#). This may include reviewing, over time, particular elements of the performance measures.
- Assess and review the Company's annual performance statement as required by the PGPA Rule.
- Consider any issues relating to the Company's performance that the committee considers warrant review, or are referred to the committee by the AHL Board.

Work Health and Safety Reporting

- Assess the adequacy of Work Health and Safety reporting specifically in relation to:
 - hazard and incident reporting
 - notifiable incidents and compensable cases
- Monitor the implementation of effective Work Health and Safety policies, procedures and practices.