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Torres Strait Regional Authority

Audit Committee Charter

As approved by the Torres Strait Regional Authority Audit Committee

Meeting 122 – 31 March 2020

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Torres Strait Regional Authority Audit Committee

The Torres Strait Regional Authority (TSRA) Board (the Board) has established an Audit Committee in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and *Public Governance, Performance and Accountability Rule 2014* (PGPA Rules) Section 17 *Audit Committees for Commonwealth Entities*.

This Charter sets out the TSRA Audit Committee's (the Committee) responsibilities, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

1. Responsibilities

The Committee is a sub-committee of the TSRA Board established to assist the Board discharge its responsibilities under the *Aboriginal and Torres Strait Islanders Act 2005* and the PGPA Act in respect of providing independent assurance and assistance to the Board on TSRA's financial and performance reporting responsibilities, risk oversight and management, system of internal control and compliance with relevant laws and policies.

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 advisory responsibilities and formulating its advice to the Board.

Members of the Committee are required to understand and observe the legal requirements of the PGPA Act and the PGPA Rules. Members are also required to:

- act in the best interests of the TSRA 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.

Committee members must not use or disclose information obtained by the Committee except in meeting the committee's responsibilities, or unless expressly agreed by the Board.

The Committee will be assisted by the TSRA's internal audit function which will be responsible for delivering an internal audit programme in line with the Audit Committee's guidance. The internal audit programme will be reviewed periodically by the Committee and all internal audit reports will be reviewed by the Committee.

2. Authority

The Board authorises the Committee, within its responsibilities, to:

- obtain any information it requires from any employee, official or external party (subject to any legal obligation to protect information);
- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- request the attendance of a Board Member or any employee, including the Chairperson and Chief Executive Officer, at committee meetings; and
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities, all at TSRA's expense.

3. Functions

The Committee has no executive powers, unless delegated to it by the Board.

The Committee is directly responsible and accountable to the Board for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for the management of TSRA rests with the Chief Executive Officer.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Board from time to time.

The Committee's responsibilities are:

a. Financial reporting

- review the financial statements and provide advice to the Board; (including whether appropriate action has been taken in response to audit recommendations and adjustments to the draft financial statements), and recommend their signing by the Board; In particular, the Committee will:
 - (a) assess the TSRA's compliance with accounting standards, including an assessment of the appropriateness of accounting policies and disclosures;
 - (b) assess areas of significant judgment and financial statement balances that require estimation;
 - (c) assess any significant changes to accounting policies and practices;
 - (d) review significant or unusual transactions not covered by b) or c) above; and
 - (e) assess whether appropriate management action has been taken in response to any issues raised by external audit, including financial statement adjustments or revised disclosures.
- satisfy itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of key internal controls;
- review the processes in place designed to ensure that financial information included in the TSRA's annual report is consistent with the signed financial statements;
- monitor the standard of the financial information provided to the Board; and
- discuss with the external auditors the auditor's judgments about the adequacy of the TSRA's accounting policies and the quality of the TSRA's processes for the preparation of the TSRA's financial statements.

b. Performance reporting

- consider any issues relating to the TSRA's performance that the Committee considers warrant review, or are referred to the Committee by the Board;
- monitor the standard of non-financial performance information provided to the Board;
- review the proposed reporting of TSRA's performance to ensure that the information is consistent with TSRA's reported financial information; and
- review the TSRA's systems and procedures for assessing and reporting the achievement of the TSRA's performance. Specifically, the Committee will:
 - provide an annual update on the TSRA's performance reporting framework;

- provide advice annually about processes for developing the performance statement;
 - review the draft TSRA performance statement at the financial statements meeting; and
 - cause to be undertaken, a biennial review/audit of the TSRA's assurance mechanisms as they relate to the performance framework. This would be measured against the points set out in the Quick Reference Guide RMG 131 – Developing Good Performance Information.
- In particular, the Committee will satisfy itself that the TSRA's:
 - Portfolio Budget Statements and Corporate Plan include details of how the TSRA's performance will be measured and assessed;
 - approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and Corporate Plan is sound, has taken into account guidance issued by the Department of Finance and has sound processes in place for the preparation of its annual Performance Statement and the inclusion of the Statement in its annual report, and
 - proposed Performance Statement is not inconsistent with the entity's financial information, including its financial statements, which it proposes to include in its annual report.

c. Risk oversight and management

- assess whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of the TSRA's financial and business risks, including fraud; and approve the Risk Management Framework;
- determine whether a sound and effective approach has been followed in managing the TSRA's major risks including those associated with individual projects, programme implementation and activities.;
- satisfy itself that management has assessed the impact of TSRA's enterprise risk management framework on the TSRA's control environment;
- monitor the adequacy of insurance cover for the TSRA;
- monitor reports on fraud from the TSRA's management that outline any significant or systemic allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in the TSRA; and
- at least annually, commission and approve an entity-wide assurance map that identifies the TSRA's key assurance arrangements.

d. Internal control

- 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 advisors;
- determine whether management has in place relevant policies and procedures, including Chief Executive's Instructions or their equivalent, and that these are periodically reviewed and updated;

- assess the adequacy of the TSRA's information security infrastructure;
- determine whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with;
- assess whether appropriate policies and supporting procedures are in place for the management and exercise of delegations;
- determine whether a sound and effective approach has been followed in establishing the TSRA's business continuity planning arrangements, including whether business continuity and disaster recovery plans are periodically updated and tested;
- consider how management identifies any required changes to the design or implementation of internal controls; and
- assess whether management has taken steps to embed a culture that promotes the proper use of Commonwealth resources and which is committed to ethical and lawful behavior.

e. Legislative and policy compliance

- assess the effectiveness of the system for monitoring the TSRA's compliance with those laws, regulations and associated government policies that the entity must comply with;
- assess, where relevant, the entity's compliance with International Conventions, particularly the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions¹;
- determine whether management has appropriately considered legal and compliance risks as part of the TSRA's enterprise risk management plan; and
- provide advice to the Board regarding the issue of the TSRA's annual Certificate of Compliance or equivalent report.

f. Internal Audit

- act as a forum for communication between the Board, senior management and internal and external audit;
- review the proposed internal audit coverage, ensure the coverage is aligned with the TSRA's key risks; and approve the Internal Audit Plan and internal audit budget;
- advise the Chief Executive Officer on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit work plan;
- coordinate the audit programmes conducted by internal audit and other review functions;
- 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;
- monitor management's implementation of internal audit recommendations;
- periodically review and approve the internal audit charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place;
- at least once each year, assess the performance of Internal Audit;
- provide advice to the Chief Executive Officer and the Board on the appointment of the Head

¹ In line with this convention, the Australian Parliament has enacted the *Criminal Code Amendment (Bribery of Foreign Public Officials) Act 1999*.

of Internal Audit (in the case of an in-house internal audit function) and/or recommend to the Chief Executive Officer and the Board the appointment of the internal auditor where outsourced or co-sourced; and

- 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 the TSRA's internal controls.

g. External Audit

- provide input and feedback on financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided;
- monitor management's responses to all external audit 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 external audit reports or better practice guides; and
- meet privately with the external auditors at least once per year.

h. Governance arrangement

- Periodically review the TSRA's governance arrangements or elements of the arrangements as determined by the Board and suggest improvements, where appropriate, to the Board.

i. Other responsibilities

Satisfy itself that the TSRA has appropriate mechanisms in place to review and implement, where appropriate, relevant parliamentary committee reports and external reviews of the TSRA and recommendations arising from these reports and reviews.

4. Membership and tenure

The Audit Committee comprises four members appointed by the Board.

One of the Committee members shall be an independent person selected externally. This external independent member of the Committee will have accounting or related financial management experience with expertise in accounting and auditing standards in a public sector environment. The other three members, taken collectively, will have a broad range of skills and experience relevant to the operations of the TSRA and shall be drawn from the Board.

The Board will appoint the Chairperson of the Committee.

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

Two members will be appointed for a period which aligns with the term of the Board. The third member will be appointed for one year, commencing on 1 October on a rotating basis with a new member being appointed by the Board on an annual basis. The Board, on the recommendation of the Committee may extend the third member. The objective of the inclusion of a 'rotating' member is to provide capacity building opportunities to a larger number of Board members throughout the term of the Committee.

With the prior approval of the TSRA Chairperson, any TSRA Board Member may attend Committee meetings and when they elect to do so will be provided with access to Committee papers.

The Chief Executive Officer, Corporate Services Manager and Chief Financial Officer and the Head of Internal Audit cannot be members of the Committee, but may attend meetings as observers as determined by the Chairperson of the Audit Committee.

The Chairperson of the TSRA Board may appoint any other person, excluding the Chairperson of the Board or a member of the Administration, as an alternate member of the Committee. This person would be available to act for any member of the Committee if that member is unavailable for any reason to attend a particular meeting. When attending such a meeting the alternate member would have all rights and duties of an ordinary member of the Committee and would be counted for the purpose of establishing a quorum of the Committee.

A representative of the Australian National Audit Office will be invited to attend all meetings of the Committee, as observer.

The Committee will adopt and maintain a programme 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.

5. Annual work plan

- The Committee will prepare a detailed work plan that outlines the activities to be undertaken to achieve the committee's functions that will be provided to the Board for information.

6. 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 Chairperson of the sub-committee; the membership of the sub-committee 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 Chairperson immediately following a sub-committee following sub-committee meeting so that the Chairperson is in a position to decide what action to take.

Audit Committee sub-committees should not assume any management functions nor should management exert inappropriate influence over the work of the sub-committees.

7. Responsibilities of Committee members

Members of the Committee are expected to understand and observe the legal requirements of the *Public Governance, Performance and Accountability Act 2013* (PGPA) and its rules. Members are also

expected to:

- act in the interests of the TSRA;
- apply good analytical skills, objectivity and good judgment; and
- express opinions constructively and openly, raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry.

8. Reporting

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

The Committee will as often as is necessary and at least once a year, report to the Board on its operation and activities during the year and confirm to the Board that all functions outlined in this charter have been carried out, and comply with any other reporting requirements specified by the Board from time to time.

The Committee may, at any time, report to the Board any other matter it deems of sufficient importance to do so. In addition, at any time an individual committee member may request a meeting with the Chairperson of the Board.

9. Administrative Arrangements

a. Meetings

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

All Committee members are expected to attend each meeting in person or via telephone or video conference.

The Chairperson is required to call a meeting if asked to do so by the Chairperson of the Board and decide if a meeting is required if requested by another member, internal or external audit.

b. 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, that cover all the responsibilities outlined in this charter.

c. Attendance at meetings and quorums

A quorum will be three members, which must consist of the external independent member plus two other members of the Committee. The quorum must be in attendance at all times during the meeting.

d. Secretariat

The TSRA Governance and Leadership (G&L) Programme will provide secretariat support to the Committee. The secretariat will ensure: the agenda for each meeting is approved by the Chairperson; the agenda and supporting papers are circulated, at least one week before the meeting; and minutes of the meetings are prepared and maintained. Minutes must be reviewed by the Chairperson and circulated within two weeks of the meeting to each member and Committee

observers, as appropriate.

e. Conflicts of interest

Once a year Audit Committee members will provide written declarations to the Chairperson for provision to the Board declaring any potential or actual conflicts of interest 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 Chairperson should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each Audit Committee meeting, members are required to declare any potential or actual conflicts of interest that may apply to specific matters on the meeting agenda. Where required by the Chairperson, the member will be excused from the meeting or from the Committee's consideration of the relevant agenda items(s). The Chairperson is also responsible for deciding, in consultation with the Board where appropriate, if he / she should excuse themselves from the meeting or from the Committee's consideration of the relevant agenda item(s). Details of potential or actual conflicts of interest declared by the members and action taken will be appropriately recorded in the minutes.

f. Induction

New members of the Committee will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

g. Assessment arrangements

The Chairperson of the Committee, in consultation with the Chairperson of the Board, will initiate a review of the performance of the Committee at least once every two years. The review will be 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, Chief Financial Officer and any other relevant stakeholders, as determined by the Committee.

The Chairperson will provide advice to the Board on a member's performance where an extension of the member's tenure is being considered.

h. Review of charter

The Committee will review this Charter every three years. 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.



Napau Pedro Stephen AM
Chairperson
Torres Strait Regional Authority