

Royal Australian Navy Relief Trust Fund

Audit Committee Charter

INTRODUCTION

1. The RANRTF Board of Trustees (“Board”) has established an Audit Committee (“Committee”) in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and PGPA Rule section 17 *Audit Committees for Commonwealth Entities*.
2. This charter sets out the Committee’s role, authority, functions, composition, meeting arrangements, and reporting arrangements.

ROLE OF THE COMMITTEE

3. The Committee of the RANRTF has been established by the Board to give independent additional assurance in discharging its responsibilities under the *Services Trust Fund Act 1947* and the PGPA Act in respect of financial and performance reporting, risk oversight and management, internal control and compliance with relevant laws and policies.
4. 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.
5. Members of the Committee are expected to understand and observe the legal requirements of the PGPA Act and rules. Members are also expected to:
 - a. Act in the best interests of the RANRTF as a whole;
 - b. Apply good analytical skills, objectivity and good judgement;
 - c. Express opinions constructively and openly, raise issues that relate to the Committee’s responsibilities and pursue independent lines of enquiry; and
 - d. Contribute the time required to meet their responsibilities.
6. 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 RANRTF.

7. The committee will be assisted by the RANRTF's internal audit function that will be responsible for delivering an internal audit program in line with the Audit Committee's guidance and subject to approval by the Trustees of the RANRTF. The committee will exercise a governance role in relation to the entity's internal audit function.

AUTHORITY

8. The Board authorises the Committee, within the scope of its role and responsibilities, to:

- a. Obtain any information it requires from any official and/or external party (subject to legal obligation to protect information);
- b. Discuss any matters with the ANAO (independent auditor), or other external parties (subject to confidentiality considerations);
- c. Request the attendance of any official, including members of the Board, at Committee meetings where appropriate; and
- d. Obtain external legal or other professional advice, as considered necessary, to meet its responsibilities.

MEMBERSHIP OF THE COMMITTEE

9. The Committee comprises no less than three (3) and no more than five (5) members (one Trustee and up to four independent members) appointed by the Board. An open and transparent nomination process, potentially linked to the calling of expressions of interest for RANRTF Trustees, is preferred.

10. An independent member is a member who is not a Trustee or a person engaged in the operating the RANRTF and who is free of any interest or other relationship, which could, reasonably be perceived to, materially interfere with the member's ability to act in the best interest of the RANRTF.

11. The Board shall determine the Chair of the Committee, who shall not be a Trustee.

12. The Committee is authorised to appoint a Deputy Chair, who should not be a Trustee, who will act as chair in the absence of the Chair.

13. The Chair of the Board and other trustees may be invited to attend Committee meetings. Advisers and other parties external to the RANRTF may also be invited to attend Committee meetings, as the Chair of the Committee considers appropriate.

14. The RANRTF Governance Officer and a representative(s) of the ANAO will be invited to attend meetings of the committee, as observers.

15. Membership of the committee will be reviewed periodically (but at least every three years) by the Board with the aim of ensuring an appropriate balance between continuity of membership and diversity of membership, including the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience relevant to the operations of the RANRTF. At least one member of the committee will have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment.

16. Members of the Committee shall be appointed for a period to be determined by the Board.

FUNCTIONS

17. The Committee has a number of specific functions. These relate to reviewing the appropriateness of the RANRTF's:

- a. **Financial Reporting.** The responsibilities of the Committee in relation to Financial Reporting include:
 - i. reviewing financial statements and providing advice to the Board; including recommending signing by the Chair of the Board or Trustees. In particular, the committee is to assess:
 1. the RANRTF's compliance with accounting standards, including an assessment of the appropriateness of accounting policies and disclosures;
 2. areas of significant judgement and financial statement balances that require estimation;
 3. any significant changes to accounting policies and practices;
 4. significant or unusual transactions; and
 5. whether appropriate management action has been taken in response to any issues raised by the ANAO (or audit contactor), including financial statement adjustments or revised disclosures.
 - ii. acting as a forum for communication between the RANRTF and the ANAO;
 - iii. reviewing the processes in place to ensure that financial information included in the RANRTF's annual report is consistent with the signed financial statements; and

- iv. discussing with ANAO the auditor's judgements about the adequacy of accounting policies and the quality of the RANRTF's processes for the preparation of the financial statements.
- b. **Performance Reporting.** The responsibilities of the Committee in relation to Performance Reporting include:
- i. reviewing the RANRTF's systems and procedures for developing, measuring and reporting the RANRTF's performance measures that are used to assess the achievement of the objectives of the RANRTF's programs and its own operations;
 - ii. reviewing the proposed reporting of the RANRTF's performance to ensure it is consistent with the RANRTF's reported financial information; and
 - iii. satisfying itself that appropriate records of performance are maintained by the RANRTF.
- c. **System of Risk Oversight and Management.** The responsibilities of the Committee in relation to Risk Oversight and Management include:
- i. reviewing whether management has in place a current and sound enterprise risk management framework and associated procedures for effective identification and management of the entity's business and financial risks;
 - ii. satisfying itself that a sound approach has been followed in managing the entity's major risks including those associated with individual projects, program implementation, and activities;
 - iii. satisfying itself that management has assessed the impact of the entity's enterprise risk management framework on the entity's control environment, and insurance arrangements;
 - iv. reviewing the process of developing and implementing the entity's fraud control arrangements and satisfy itself that the entity has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks;
 - v. reviewing reports on fraud from 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 entity; and
 - vi. at least annually, commission an entity-wide assurance map that identifies the entity's key assurance arrangements.

- d. **Systems of Internal Control.** The responsibilities of the Committee in relation to Internal Control include:
- i. reviewing the RANRTF's internal control framework which includes:
 - 1. reviewing whether management's approach to maintaining an effective internal control framework, including in relation to functions performed by external parties such as contractors and advisers, is sound and effective;
 - 2. reviewing whether management, has in place relevant policies and procedures, including Accountable Authority Instructions or their equivalent, and that these are periodically reviewed and updated;
 - 3. satisfying itself that appropriate processes are in place to periodically (but not less than once per year) assess whether key policies and procedures are complied with; and
 - 4. satisfying itself that management periodically assesses the adequacy of the RANRTF's information security infrastructure.
 - ii. reviewing whether appropriate policies and associated procedures are in place for the management and exercise of delegations and authorisations.
 - iii. satisfying itself that a sound approach has been followed in establishing the RANRTF's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested;
 - iv. assessing 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.
 - v. reviewing the RANRTF's internal control audit processes which includes:
 - 1. reviewing the proposed internal audit coverage, ensure the coverage takes into account the RANRTF's key risks, and recommend approval of the Annual Work Plan by the Trustees;
 - 2. review all audit reports and provide advice to the accountable authority on significant issues identified in audit reports and recommend action on significant issues raised, including identification and dissemination of good practice;

- vi. reviewing the RANRTF's legislative and policy compliance which includes:
 - 1. reviewing the effectiveness of the system for monitoring the RANRTF's compliance with those laws, regulations and associated government policies with which the RANRTF must comply;
 - 2. determining whether management has appropriately considered legal and compliance risks as part of the entity's enterprise risk management plan; and
 - 3. providing advice to the Trustees regarding the issue of the RANRTF's annual Certificate of Compliance, or equivalent report.

18. In addition to the four functions referred to above, the Committee is to:

- a. advise the accountable authority on the adequacy of internal audit resources, or budget, to carry out its responsibilities, including completion of the approved internal audit work plan;
- b. coordinate the audit programs conducted by internal audit and other assurance functions;
- c. monitor management's implementation of internal audit recommendations;
- d. periodically review the internal audit charter to ensure appropriate authority, access and reporting arrangements are in place;
- e. periodically review the performance of internal audit, and report the results to the Trustees;
- f. provide advice to the Trustees on the appointment of the Head of Internal Audit (in the case of an in-house internal audit function) and/or recommend to the Trustees the appointment of the internal auditor;
- g. periodically meet privately with the Head of Internal Audit;
- h. periodically review the RANRTF's governance arrangements or elements of the arrangements as determined by the Trustees and suggest improvements, where appropriate, to the Trustees; and
- i. satisfy itself that the RANRTF has appropriate mechanisms in place to review and implement, where appropriate, relevant parliamentary committee reports and external reviews of the RANRTF, and recommendations arising from these reports and reviews.

ENGAGEMENT WITH THE ANAO

19. In undertaking its role, 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:

- a. provide input on planned ANAO financial statement and performance audit coverage;
- b. monitor management's responses to all ANAO financial statement management letters and performance audit reports, including the implementation of audit recommendations; and
- c. provide advice to the Trustees on action to be taken on significant issues raised in relevant ANAO reports or better practice guides.

COMMITTEE REPORTING

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

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

CONFLICTS OF INTEREST

22. Once each year, members of the committee will provide written declaration, through the Chair, to the Board of Trustees declaring any material personal interests that they may have in relation to their responsibilities.

23. 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. Any such declaration and action taken will be recorded in the minutes.

ADMINISTRATIVE ARRANGEMENTS

Meetings

24. The Committee is to meet no less than quarterly each year but may meet more frequently as determined by the Chair of the Committee. Meetings should normally be conducted at least two weeks prior to Board meetings.

25. The content of the meetings shall be determined with regard to the financial reporting and audit cycle of the RANRTF. The Administrative Assistant shall, in

conjunction with the Chair, draw up an agenda which will be circulated to the members of the Committee at least five business days prior to each meeting.

26. The Administrative Assistant is responsible for drafting the minutes of the meetings. The minutes shall be approved by the Chair and circulated to all attendees for their concurrence.

27. The Chair will call a meeting of the Committee if so requested by any Committee member, the Chair of the Board or the external auditors.

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

Secretariat Support

29. The Trustees have appointed the Fund Administrative Assistant to provide secretariat support to the committee. The Fund Administrative Assistant will:

- a. ensure the agenda for each meeting is approved by the Chair;
- b. the agenda and supporting papers are circulated, at least one week before the meeting; and
- c. ensure the minutes of the meetings are prepared and maintained.

30. Minutes must be reviewed by the Chair and circulated in a timely manner to each Trustee, member of the committee and committee advisers and observers, as appropriate.

REVIEW OF CHARTER

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

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

SL Glassock, CSC
Commodore, RAN
Chair of Trustees
Royal Australian Navy Relief Trust Fund

7 June 2020