Audit & Risk Management Committee Charter

Introduction

1. The Australian National University (ANU) Council has established the Audit and Risk Management Committee (ARMC) in compliance with section 45 of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) and section 17 of the Public Governance and Accountability Rule 2014 (PGPA Rule).

2. This Charter sets out the ARMC’s objective, authority, composition and tenure, roles and responsibilities (as well as the responsibilities of the individual members), and reporting and administrative arrangements.

Objective

The objective of the ARMC is to provide independent assurance, advice and assistance to the Council on the University’s risk, control, compliance, internal audit and governance framework, and its external accountability responsibilities including its financial statement responsibilities.

The ARMC is not responsible for the executive management of these functions. The ARMC will engage with management in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Council.

Authority

3. The Council authorises the ARMC, within the scope of its role and responsibilities, to:
   - obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
   - discuss any matters with the University’s external auditors, or other external parties (subject to confidentiality considerations);
   - request the attendance of any ANU employee or Council member at ARMC meetings; and
   - obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the University’s expense.
Composition and Tenure

4. The Council is responsible for the appointment of ARMC members.

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

6. The ARMC will consist of:
   a. a Chair, who may be a non-executive member of the Council, but not the Chancellor;
   b. a member of Council (who may not be a student nor an ANU employee other than a College Head);
   c. up to four independent members, who may not be a member of Council or an ANU employee or student;
   d. ex officio, the Chair of the Finance Committee.

7. The ARMC may appoint a Deputy Chair from amongst its members who will act as chair in the absence of the Chair.

8. The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the ANU. At least one member of the ARMC should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

9. Members will be appointed for an initial period of up to two years after which they will be eligible for extension or re-appointment, after a formal review of their performance. Terms of appointment to the ARMC are to provide for both continuity of membership and fresh perspective.

Roles and Responsibilities

10. The ARMC has no executive powers, unless delegated to it by the Council.

11. The ARMC is directly responsible and accountable to the Council for the exercise of its responsibilities. In carrying out its responsibilities, the ARMC must at all times recognise that primary responsibility for management of the ANU rests with the Vice-Chancellor.

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

13. The ARMC shall also provide the Chancellor and, where appropriate, Council, with responses to inquiries on matters pertaining to audit, internal control, financial reporting and risk.

14. The committee’s responsibilities are to:
Risk Management

- review and endorse the Entity-wide Risk Management Framework for the University and associated procedures for effective identification and management of the University’s financial and business risks, including fraud;
- review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- review and endorse the University’s assurance map;
- assess the impact of the University’s risk management framework on its control environment and insurance arrangements;
- determine whether a sound and effective approach has been followed in establishing the University’s business continuity planning arrangements, including whether business continuity and disaster recovery plans have been updated and tested periodically;
- review the University’s fraud control plan and satisfy itself the ANU has appropriate processes and systems in place to capture and effectively investigate fraud related information;
- monitor reports on fraud from the University’s management that outline any significant or systematic allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in ANU; and
- receive periodically (normally each Committee meeting) a report from the Director, Corporate Governance & Risk Office on the operation and performance of risk management in the University, including Work Health & Safety and fraud.

Control Framework

- review whether management’s approach to maintaining an effective internal control framework, including over external parties such as contractors and advisors, is sound and effective;
- review whether management has in place relevant policies and procedures, including Vice-Chancellor Instructions or their equivalent, and that these are periodically reviewed and updated;
- determine whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with;
- review whether appropriate policies and procedures are in place for the management and exercise of delegations;
• consider how management identifies any required changes to the design or implementation of key internal controls; and

• review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

External Accountability

• assess the University’s compliance with accounting standards, including an assessment of the appropriateness of accounting policies and disclosures;

• assess areas of significant judgement and financial statement balances that require estimation;

• assess any significant changes to accounting policies and practices, (by November each year);

• review any other significant or unusual transactions, not pertaining to balances requiring estimation or significant changes to accounting policies and practices;

• monitor the standard of financial information provided to the Council;

• discuss with the Australian National Audit Office (ANAO) the auditor’s judgements about the adequacy of the University’s accounting policies and the quality of the University’s processes for the preparation of the University’s financial statements;

• review the annual financial statements and provide advice to the Council (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the Chair of the Council (Chancellor);

• satisfy itself that the annual financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal controls; and

• review the processes in place designed to ensure that financial information included in the University’s annual report is consistent with the signed annual financial statements.

Legislative Compliance

• determine whether management has appropriately considered legal and compliance risks as part of the University’s risk assessment and management arrangements; and

• review the effectiveness of the system for monitoring the University’s compliance with relevant laws, regulations and associated government policies.
Internal Audit

- act as a forum for communication between the Council, senior management, internal audit, and external audit;
- review internal audit coverage as outlined in the strategic and annual internal audit plans, ensure the plan is developed based on a prioritization of the audit universe using a risk-based methodology informed by the University’s risk assessment outcomes, and recommend approval of the plan by the Council;
- advise the Council on the adequacy of the resources available to the Internal Audit activity to carry out its responsibilities, including completion of the approved internal audit plan;
- oversee the coordination of audit reviews conducted by internal audit, external audit and other review functions;
- review all of the Internal Audit activity’s reports and provide advice to the Council on significant issues identified in those reports and action taken on issues raised, including identification and dissemination of good practice;
- monitor management’s implementation of Internal Audit activity’s recommendations;
- review and endorse the Internal Audit Charter annually to ensure appropriate organisational structures, authority, access, and reporting arrangements are in place;
- periodically review the performance of the Internal Audit activity; and
- in consultation with management, review and endorse the appointment, replacement or dismissal of the officer accountable for internal audit and the internal audit service provider.

External Audit

- act as a forum for communication between the Council, senior management and external audit;
- provide input and feedback on the annual financial statement and performance audit coverage proposed by external audit, and provide feedback on the audit services provided;
- evaluate external audit plans and reports in respect of planned or completed audits and monitor management’s response and implementation of audit recommendations;
- provide advice to the Council on action to be taken on significant issues raised in relevant external audit reports or better practice guides; and
• meet privately with the ANAO at least once per year.

**Governance Arrangements**

• When requested by Council, review the ANU governance arrangements or elements of the arrangements and suggest improvements, where appropriate, to the Council.

**Performance Reporting Framework**

• satisfy itself that the ANU has a performance management framework that is linked to organisational objectives and outcomes;

• consider any issues relating to the University’s performance that the ARMC deems requiring review, or are referred to the ARMC by the Council;

• monitor the standard of non-financial performance information provided to the Council; and

• review the proposed reporting of the University’s performance to ensure that the information is consistent with the University’s reported financial information.

**Responsibilities of Members**

15. Members of the ARMC are expected to understand and observe the legal requirements of the PGPA Act. Members are also expected to:

• act in the interests of the ANU;

• contribute the time needed to study and understand the papers provided;

• apply good analytical skills, objectivity and good judgment; and

• express opinions constructively and openly, ask questions that relate to the committee’s responsibilities and pursue independent lines of enquiry.

**Reporting**

16. The committee will regularly, but at least once a year, report to the Council on its operation and activities during the year. The report should include:

• a summary of the work the ARMC performed to fully discharge its responsibilities during the preceding year;

• a summary of the University’s progress in addressing the findings and recommendations made in internal and external reports;

• an overall assessment of the University’s risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the ANU; and
17. details of meetings, including the number of meetings held during the relevant

The ARMC may, at any time, report to the Council 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 Chair of the Council (Chancellor).

Administrative Arrangements

Meetings and Planning

18. The ARMC will meet at least four times per year. A special meeting may be held to review the University’s annual financial statements.

19. The Chair is required to call a meeting if asked to do so by the Council and decide if a meeting is required if requested by another ARMC member, internal audit or the ANAO.

20. A forward meeting plan, including meeting dates, location and agenda items, will be agreed by the ARMC each year. The forward meeting plan will cover all of the ARMC’s responsibilities, as detailed in this charter.

21. The Chair is invited to attend at least one Council meeting per year.

22. The Chair will be regularly updated with the ANU audit and risk management activities and emerging issues by the Director, Corporate Governance & Risk Office.

Attendance at Meetings and Quorums

23. A quorum will consist of 50% of committee members.

24. Meetings can be held in person, by telephone or by videoconference.

25. The Vice-Chancellor, The Executive Director (Administration & Planning), Chief Finance Officer/Director of Finance & Business Services, Director, Corporate Governance & Risk Office and representatives of the Australian National Audit Office may attend each meeting as an observer unless requested by the Chair of the ARMC not to attend a particular ARMC meeting or participate in certain agenda items.

26. The Chair of the ARMC may request any other ANU employee and/or external party to attend ARMC meetings or participate in certain agenda items.

27. External Audit and Internal Audit are to be afforded the opportunity of meeting privately with ARMC members only as required.

28. The Chair of the Council (Chancellor) may be invited to attend ARMC meetings to participate in specific discussions or provide strategic briefings to the ARMC.
Secretariat

29. The Corporate Governance & Risk Office will provide secretariat support to the ARMC. The Corporate Governance & Risk Office will ensure the agenda for each meeting and supporting papers are circulated, after approval from the Chair, at least 10 days before the meeting, and ensure the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chair and circulated to each member and ARMC observers, as appropriate.

Conflicts of Interest

30. Once a year ARMC members will provide written declarations to the Council declaring any material personal interests that would preclude them from being members of the ARMC. External members will be asked to consider past employment, consultancy arrangements and related party issues in making these declarations. Council will need to be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

31. ARMC members must declare any material personal interests at the start of each meeting or before discussion of the relevant agenda item or topic. Details of material personal interests declared by ARMC members, and actions taken, will be appropriately recorded in the minutes.

32. Where members or observers at ARMC meetings are deemed to have a real, or perceived, conflict of interest it may be appropriate that they are excused from ARMC deliberations on the issue where a conflict of interest exists.

Induction

33. The University, through CGRO, has implemented and will maintain a program of induction, training and awareness-raising for ARMC members, with the objective of enabling the committee to keep abreast of contemporary developments and leading practices to assist them to meet their ARMC responsibilities.

Assessment Arrangements

34. The Chair of the ARMC, in consultation with the Chair of the Council, will initiate a review of the performance of the ARMC annually. The review will be conducted on a self-assessment basis (unless otherwise determined by the Council) with appropriate input sought from the Council, the Vice-Chancellor, the internal and external auditors, management and any other relevant stakeholders, as determined by the Council.
Review of Charter

35. At least once a year the ARMC will review this charter. This review will include consultation with the Council.

36. Any substantive changes to the charter will be recommended by the ARMC and formally approved by the Council.

Approved in accordance with a resolution of the ANU Council meeting of 3 October 2014.
Internal Audit and Management Initiated Review reporting protocols

Reviews conducted as part of the Annual Audit Plan

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<thead>
<tr>
<th>Management report</th>
<th>Audit &amp; Risk Management Committee report</th>
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<tbody>
<tr>
<td>1. Internal Audit distributes a draft Management Report to areas involved in the review to check the factual accuracy of the information on which the internal audit conclusions will have been drawn. (Note: The Vice-Chancellor will be briefed immediately in the event a potential Extreme finding has been confirmed with the auditee representative.)</td>
<td>(Note: Audit &amp; Risk Management Committee chair advised of potential Extreme findings once this has been confirmed with the Vice-Chancellor)</td>
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<tr>
<td>2. Exit meeting between nominated auditee representative and Internal Audit to discuss and agree findings and recommendations.</td>
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<td>3. Where the Draft Management Report includes Extreme, High or Moderate rated findings a detailed management action plan is required. This will be prepared by the responsible area for inclusion in the report and will include agreed due dates for management action. (In some cases, ‘management action plans’ will be management actions rather than only plans for action.)</td>
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<tr>
<td>4. Management Report sign-off by Director Corporate Governance &amp; Risk Office, and ANU auditee representative(s).</td>
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<tr>
<td>5. Audit &amp; Risk Management Committee report prepared comprising a synopsis of overall findings plus detailed findings, recommendations and management action plans in respect of confirmed Extreme, High or Moderate rated findings.</td>
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Reviews initiated by management

The Audit & Risk Management Committee will be informed of any internal audit activities which have been initiated by management. The Committee will not however receive a summary report unless:

- It requests a copy; and / or
- The review has identified Extreme, High or Moderate matters.