



Australian Government

AUSTRAC

Charter

AUSTRAC Audit and Risk Committee

August 2024

OFFICIAL

Charter Version History

Version	Endorsed By	Date	Revision Description	Revision Author
1	AUSTRAC CEO	September 2022	Document ID: 18955660	AUSTRAC ARC Secretariat
2	Audit and Risk Committee	June 2023	Non substantive updates (Document ID: 16685084)	AUSTRAC ARC Secretariat
3	AUSTRAC CEO	August 2024	(Document ID:1892723)	AUSTRAC ARC Secretariat

Endorsed



Brendan Thomas
AUSTRAC CEO
14 August 2024

Table of contents

1. Purpose.....	3
2. Committee Role.....	3
3. Authority.....	3
4. Membership	3
5. Responsibilities.....	4
6. Functions	5
7. Engagement with auditors	8
8. Annual work plan.....	9
9. Reporting	9
10. Administrative arrangements.....	9
11. Policies and guidelines.....	11

1. Purpose

The Chief Executive Officer (CEO) has established an Audit and Risk Committee (the committee) in accordance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). Under the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule 17), the CEO must determine the functions of the committee by written charter.

2. Committee Role

The role of the committee is to provide independent advice to the CEO on the appropriateness of AUSTRAC's financial reporting, performance reporting, systems of risk oversight and management and systems of internal controls.

The committee is not responsible for managing these functions but will engage with management in discharging its advisory responsibilities and formulating its advice to the CEO. The committee acts independently of AUSTRAC's management and in an objective and impartial manner, free from conflicts of interest, inherent bias or undue external influence.

3. Authority

The CEO authorises the committee, within the scope of its functions and responsibilities, to:

- Request access to any information it requires to enable it to advise effectively on its functions, subject to any legal or parliamentary obligation to protect information
- Discuss any matters with the external auditor, or other external parties, subject to confidentiality considerations
- Request the attendance of any employee or the CEO at meetings
- Obtain legal or other professional advice as considered necessary to meet its responsibilities.

The committee has no powers other than those authorised by the CEO.

Members must not use or disclose information obtained by the committee, except in meeting the committee's responsibilities, unless expressly authorised by the CEO.

4. Membership

Collectively, membership must consist of persons who have appropriate qualifications, skills or experience to enable the committee to perform its functions and possess the expertise necessary to effectively advise the CEO. All members are required to remain objective and independent in their committee role. Section 4 of the PGPA Rule requires that all members of the audit committee must be persons who are not officials of the entity and that a majority of the members must be persons who are not officials of any Commonwealth entity.

4.1 Committee members

The committee comprises of a minimum of three external **members**, including the Chair, appointed by the CEO.

The CEO or the committee may appoint a Deputy Chair who will act as Chair in the absence of the Chair.

4.2 Other appointments

Two AUSTRAC SES officers will serve as permanent **senior advisors** to assist the committee in its functions. These officers will be appointed by the CEO.

To promote the independent nature of the committee, the following officials of AUSTRAC are excluded from serving as senior advisors:

- The Chief Executive Officer
- The Chief Finance Officer.

The CEO and key management personnel of AUSTRAC may attend relevant meetings as **presenters and/or observers** to assist the committee in its functions.

4.3 Term of committee members

Independent members will be appointed for a fixed period of no more than three years. Members may be re-appointed for further periods as specified by the CEO.

The Chair will provide advice to the CEO on the engagement of committee members and an independent member's performance where an extension of the member's tenure is being considered.

5. Responsibilities

Collectively, members are expected to understand and observe the legislative requirements of the PGPA Act and Rules, and take guidance from the Resource Management Guide No. 202: *A guide for non-corporate Commonwealth entities on the role of the audit committee* (RMG 202).

5.1 Chair

The Chair is responsible for implementing the committee's agenda, work program and deliverables and is expected to:

- Have a clear understanding of AUSTRAC and its work and the functions and responsibilities of the committee including its position in AUSTRAC's governance structure
- Engage with, and report formally and informally to, the CEO
- Effectively plan and manage committee meetings to enable the committee to undertake its functions and responsibilities as outlined in this charter, including setting the agenda for each meeting
- Lead discussion and encourage the participation of other members, and focus the committee's deliberations on the most important issues

OFFICIAL

- Seek the input of advisers, observers or other experts to maximise their contribution to the deliberations of the committee
- Maintain an open and constructive relationship with senior management, the Chief Finance Officer, internal audit and the ANAO
- Devote sufficient time to prepare for committee meetings and to engage with the CEO, senior management and other stakeholders outside committee meetings
- Recommend to the CEO the appointment of committee members.

5.2 Members

The Committee members, including the Chair, are expected to:

- Maintain a good understanding of AUSTRAC and the environment in which it operates
- Act with openness and transparency and communicate effectively, and act in the best interests of AUSTRAC as a whole
- Be proactive in identifying significant issues and risks that warrant further management attention, and avoid excessive focus on minor matters
- Ask relevant questions, express opinions in a clear and constructive manner, ask questions that draw out the key issues and pursue independent lines of enquiry
- Understand AUSTRAC's culture and values, and bring a thoughtful approach to the ethical issues that might be faced
- Take a professional approach to their responsibilities, including an appropriate commitment of time and effort.

6. Functions

The core functions of the committee are to review the appropriateness of AUSTRAC's:

- Financial reporting
- Performance reporting
- System of risk oversight and management
- System of internal controls.

In undertaking these functions and responsibilities, the committee will have regard to the functions of audit committees detailed in the RMG 202.

6.1 Financial reporting

The committee is required to assess the appropriateness of AUSTRAC's financial reporting by reviewing compliance with the mandatory requirements of the PGPA Act, the PGPA Rule, the Accounting Standards and consider advice in supporting guidance.

- a) The committee will review and provide advice on the appropriateness of AUSTRAC's:
 - i. Annual financial statements
 - ii. Information (other than annual financial statements) requested by Department of Finance in preparing the Australian Government's consolidated financial statements, including the supplementary reporting package

OFFICIAL

- iii. Processes and systems for preparing, and record keeping of, financial reporting information
 - iv. Processes to allow AUSTRAC to stay informed throughout the year of any changes or additional requirements in relation to the financial reporting.
- b) The committee will provide annual written advice to the CEO, in the form of a statement, whether:
- i. The annual financial statements, in the committee's view, comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance
 - ii. Additional information (other than financial statements) required by Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package) comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance
 - iii. AUSTRAC's financial reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

6.2 Performance reporting

The committee is required to assess the appropriateness of AUSTRAC's performance reporting by reviewing compliance with the mandatory requirements of the PGPA Act, the PGPA Rule, and the Commonwealth performance framework and consider advice given in supporting guidance.

- a) The committee will review and provide advice on the appropriateness of AUSTRAC's:
- i. Systems and procedures for assessing, monitoring and reporting on achievement of AUSTRAC's performance. In particular, the committee will consider whether:
 - AUSTRAC's Portfolio Budget Statements and corporate plan contain appropriate details of how AUSTRAC's performance will be measured and assessed
 - AUSTRAC'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 framework
 - AUSTRAC has appropriate systems and processes for preparation of its annual performance statement and inclusion of the statement in its annual report.
- b) The committee will provide written advice to the CEO, in the form of a statement, whether:
- i. AUSTRAC's performance reporting requirements, in the committee's view, are appropriate and comply with the PGPA Act, the PGPA Rules and supporting guidance
 - ii. AUSTRAC's performance reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

6.3 Systems of risk oversight and management

The committee is required to assess the appropriateness of AUSTRAC's system of risk oversight and management by gaining sufficient understanding of the CEO's risk appetite and AUSTRAC's operating environment and reviewing compliance with the mandatory requirements of the PGPA Act, the PGPA Rule, the Commonwealth Risk Management Policy

OFFICIAL

and consider advice in supporting guidance. A summary of AUSTRAC's key risk categories are included in the annual corporate plan.

- a) The committee will review and provide advice on the appropriateness of AUSTRAC's:
 - i. Risk management policy framework and the necessary internal controls for the effective identification and management of AUSTRAC's risks, in keeping with the Commonwealth Risk Management Policy
 - ii. Approach to managing AUSTRAC's key risks, including existing and potential controls
 - iii. Process for developing and implementing AUSTRAC's fraud control arrangements consistent with the fraud control framework, and satisfy itself that AUSTRAC has adequate processes for detecting, capturing and effectively responding to fraud risks
 - iv. Articulation of key roles and responsibilities relating to risk management and adherence to them by officials of AUSTRAC.
- b) The committee will provide annual written advice to the CEO, in the form of a statement, whether:
 - i. AUSTRAC's risk management and fraud control frameworks, in the committee's view, are appropriate and comply with the PGPA Act, the PGPA Rules, and supporting guidance
 - ii. AUSTRAC's system of risk oversight and management as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

6.4 Systems of internal controls

The committee is required to assess the appropriateness of AUSTRAC's systems of internal control by gaining sufficient understanding of AUSTRAC's operating context, governance requirements and reviewing compliance with the mandatory requirements of the PGPA Act, the PGPA Rule and consider advice in supporting guidance.

- a) The committee will review and provide advice on the appropriateness of AUSTRAC's:
 - i. Internal control framework by reviewing:
 - Management's approach to maintaining an effective internal control framework and whether appropriate processes are in place for assessing compliance with key policies and procedures
 - Whether management has in operation current and relevant policies and procedures—such as Accountable Authority's Instructions, delegations, business continuity plan, or human resource management policies.
 - ii. Legislative and policy compliance by reviewing:
 - The effectiveness of systems for monitoring AUSTRAC's compliance with relevant laws, regulations and associated government policies.
 - iii. Security compliance by reviewing:
 - Management's approach to maintaining an effective internal security system (including ICT security policies and the Protective Security Policy Framework).
 - iv. Internal audit coverage by reviewing:

OFFICIAL

- The proposed internal audit coverage, ensuring that the coverage takes into account AUSTRAC's primary risks, and recommending approval of the internal audit work plan by the CEO
 - All internal audit reports, providing advice to the CEO on major concerns identified in those reports, and recommending action and good practice on significant matters raised.
- b) The committee will provide annual written advice to the CEO, in the form of a statement, whether AUSTRAC's system of internal control is appropriate, with reference to any specific areas of concern or suggestions for improvement.

6.5 Additional functions

The committee is requested by the CEO to review and provide advice on the appropriateness of:

Business continuity:

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

Ethical and lawful conduct:

- The Audit and Risk Committee should assess whether the accountable authority 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.

Parliamentary committee reports, external reviews and evaluations:

- The Audit and Risk Committee should satisfy itself that the entity has appropriate mechanisms for reviewing relevant parliamentary committee reports, external reviews and evaluations of the entity and implementing, where appropriate, any resultant recommendations.

7. Engagement with auditors

In undertaking its functions, the committee will engage with AUSTRAC's internal and external auditors.

7.1 Internal auditors

AUSTRAC's internal audit function provides independent advice and assurance in relation to evaluating and improving the effectiveness of controls, risk management and governance processes in AUSTRAC. The committee will:

- Suggest topics and review the proposed internal audit coverage in the internal audit plan
- Review all internal audit reports, providing advice to the CEO on significant issues identified
- Monitor management's responses to all internal audit reports, including the implementation of audit recommendations
- Invite a senior executive of the engaged internal audit service provider to attend committee meetings as an observer
- Meet privately with the internal auditors, as appropriate.

7.2 Australian National Audit Office

The Australian National Audit Office (ANAO) is AUSTRAC's external auditor. In relation to the ANAO's financial statements and performance audits of AUSTRAC the committee will:

- Be exposed to planned ANAO financial and performance audit coverage
- Monitor management's responses to all ANAO financial statements management letters and performance audit reports, including the implementation of audit recommendations
- Provide advice to the CEO on action to be taken on significant issues raised in relevant ANAO reports
- Invite a representative of the ANAO to attend committee meetings as an observer
- Meet privately with the ANAO, as appropriate.

8. Annual work plan

The committee will prepare a work plan that outlines the activities to be undertaken to achieve the committee's functions. The work plan will include proposed agenda items, agreed meeting dates and will be reviewed twice a year. The work plan will also include any out of session deliberations and advice required to comply with the committee's responsibilities.

9. Reporting

The Chair will regularly report to the CEO. The manner and the frequency of reporting will be by mutual agreement between the CEO and the Chair.

The committee will, at least once a year, report to the CEO on its operations and activities.

The committee may, at any time, report to the CEO any other matter it deems important. In addition, at any time an individual committee member may request a meeting with the CEO.

10. Administrative arrangements

10.1 Meetings

It is expected that the committee will meet at least five times per financial year, to be comprised of four ordinary meetings and one special meeting to review AUSTRAC's financial statements and performance statements. Additional special meetings may be held if required to meet other specific responsibilities of the committee.

Extraordinary meetings shall be called if requested by the CEO or the Chair. If an extraordinary meeting is requested by another member of the committee, it is at the discretion of the Chair, in consultation with the CEO, whether the meeting will be held. The outcome of any request to hold an extraordinary meeting will be communicated to all committee members.

Depending on reporting timeframes and the schedule of the meetings, committee members may need to consider, and provide advice out-of-session.

10.2 Quorum

A quorum requires a majority of ARC members holding office at that time. Meetings shall, however, be arranged to maximise the number of members in attendance wherever possible.

10.3 Secretariat

Working to the Chair, the Planning and Performance section will provide secretariat services to the committee, including:

- The preparation and distribution of meeting papers
- Taking minutes of committee meetings
- Records management
- The preparation of the committee's annual report, work plans and other materials
- Maintaining a record of members' terms of appointment
- Managing expenditure relating to the committee's operations
- Other duties as required by the committee or directed by the Chair.

10.4 Papers and agenda items

The CEO, members and observers may request that papers and items be put on the agenda.

10.5 Conflicts of interest

Members of the committee will provide annual written declarations to AUSTRAC declaring any material personal interests they may have in relation to their responsibilities.

Committee members with a potential conflict of interest will notify AUSTRAC and the committee as soon as this becomes apparent. Committee members must declare any potential conflicts at the start of each meeting or before discussions of the relevant agenda item or topic.

Any members with a conflict of interest will absent themselves from discussions about relevant matters. Details of any conflicts of interest should be appropriately recorded in the minutes of the meeting.

10.6 Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities. An incoming brief will be provided that contains details about AUSTRAC and the role of the committee (including this charter).

Relevant published documents (such as AUSTRAC's Annual report, Portfolio Budget Statements and Corporate Plan) will also be provided for reference.

10.7 Assessment arrangements

The Chair will ensure the performance of the committee is reviewed annually. The review will be conducted on a self-assessment basis. The outcome of the self-assessment will be reported to the CEO and a summary included in the committee's annual report.

The CEO will monitor the performance of the committee by:

- Receiving the agenda for each meeting

OFFICIAL

- Participating in post-meeting discussions with the Chair
- Reviewing the Chair's post-meeting reports
- Reviewing the committee's annual reports and written advices
- Reviewing a report on the outcomes of the committee's self-assessments.

10.8 Review of charter

The committee will review this charter annually and any substantive amendments identified will be recommended to the CEO.

Based on this advice and any relevant changes to AUSTRAC's environment, the CEO will review the charter and approve amendments, where appropriate.

11. Policies and guidelines

The AUSTRAC Audit and Risk Committee Charter should be read in conjunction with the following documents:

- a) [Public Governance, Performance and Accountability Act 2013](#)
- b) [Public Governance Performance and Accountability Rules 2014](#)
- c) [Department of Finance Resource Management Guideline 202: A guide for non-corporate Commonwealth entities on the role of the audit committee](#)
- d) [Australian Accounting Standards](#)
- e) [Commonwealth Performance Framework](#)
- f) [Commonwealth Risk Management Policy](#)