



Australian Government

Indigenous Land and Sea Corporation



The ILSC GROUP

Audit and Risk Committee Charter

Introduction

The Indigenous Land and Sea Corporation (**ILSC**) Board established the Audit and Risk Committee (the Committee) in compliance with subsection 45 (1) of the Public Governance, Performance and Accountability Act 2013 (**PGPA Act**) and section 17 of the PGPA Rules 2014.

The Committee is responsible directly to the ILSC Board and is an integral part of the governance framework of the ILSC and its subsidiaries (**ILSC Group**). A subsidiary may establish its own Audit & Risk Committee with approval of the ILSC Board.

This Charter sets out the Committee's purpose, functions, authority, composition and tenure, responsibilities of members, relationships and reporting and administrative arrangements.

Purpose

The Committee is an ILSC Board sub-committee, established to provide independent advice to assist in the discharge of the Board's responsibilities under the *Aboriginal and Torres Strait Islander Act 2005 (ATSI Act 2005)* and the *Public Governance, Performance and Accountability Act 2013 (PGPA Act) subsection 45 (1) and PGPA Rules 2014 section 17*.

Legislated Functions

The ILSC Board has determined the Committee's functions must include, but not be limited to, reviewing and advising on the ILSC Group's appropriateness of:

- a) financial reporting;
- b) performance reporting;
- c) system of risk oversight and management; and
- d) system of internal control.

In accordance with *PGPA Rule S10 - Preventing, detecting and dealing with fraud*, the Committee will also provide independent advice on the measures established and maintained by Management to prevent, detect and deal with fraud.

The Committee has no managerial responsibilities and does not make decisions in relation to the ILSC or the Group's processes and functions.

Where an ILSC subsidiary has an Audit and Risk Committee, that Committee will have functional responsibility to review and advise on the above matters to that subsidiary Board.

In providing advice, the Committee will:

- a) **Financial reporting**
 - Review and provide advice on the ILSC Group's:

- annual consolidated financial statements
- information (other than annual financial statements) requested by Finance in preparing the Australian Government's consolidated financial statements, including the supplementary reporting package
- processes and systems for preparing financial reporting information
- financial record keeping
- processes in place to allow ILSC Group to stay informed throughout the year of any changes or additional requirements in relation to the financial reporting
- Provide a statement to the ILSC Group:
 - whether the annual financial statements, in the committee's view, comply with the PGPA Act, the PGPA Rules, the Accounting Standards and Policies and supporting guidance.
 - whether additional ILSC Group 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.
 - in respect of the appropriateness of the ILSC Group's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.
- Review relevant ANAO audit reports and advise whether appropriate action has been taken in response to audit recommendations and adjustments and recommend as necessary their signing by the Board(s).

b) Performance reporting

- Review and provide advice on the appropriateness of the ILSC Group's systems and procedures for assessing, monitoring and reporting on achievement of the ILSC's performance. In particular, the Committee will satisfy itself that:
 - the Portfolio Budget Statements and corporate plan contain appropriate details of how performance will be measured and assessed;
 - the 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; and
 - there are appropriate systems and processes for preparation of its annual performance statement and inclusion of the statement in its annual report.
- Review the annual performance statement and provide advice on its appropriateness.
- Provide a statement whether, in their view, the performance statement and performance reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

c) Risk oversight and management

- Provide advice on the appropriateness of the ILSC Group's:
 - enterprise risk management policy framework and the necessary internal controls for the effective identification and management of the ILSC Group's risks, in compliance with the Commonwealth Risk Management Policy
 - approach to managing the ILSC Group's key risks—including those associated with individual projects and program implementation and activities
 - process for developing and implementing the entity's fraud control arrangements consistent with the fraud control framework, and satisfy itself that the entity has adequate processes for detecting, capturing and effectively responding to fraud risks.
- Satisfy itself that management has demonstrated sound and effective approach in establishing the business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically tested and updated.

- Provide a statement whether in their view, the ILSC Group’s system of risk oversight and management as a whole is appropriate (with reference to the Commonwealth Risk Management Policy) and any specific areas of concern or suggestions for improvement.
- Assess whether the ILSC Group 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.

d) Internal Control

- Review and provide advice on the appropriateness of the ILSC Group’s:
 - internal control framework
 - reviewing management’s approach to maintaining an effective internal control framework and whether appropriate processes are in place for assessing whether key policies and procedures are complied with
 - reviewing whether management has in operation relevant policies and procedures—such as ILSC Group’s instructions, delegations, or bullying and harassment policies.
 - legislative and policy compliance
 - reviewing the effectiveness of systems for monitoring the ILSC Group’s compliance with laws, regulations and associated government policies with which the ILSC Group must comply
 - determining whether management has adequately considered legal and compliance risks as part of the ILSC Group’s enterprise risk management framework, fraud control framework and planning.
 - security compliance
 - reviewing management’s approach to maintaining an effective internal security system (including complying with the Protective Security Policy Framework).
 - internal audit coverage
 - reviewing the proposed internal audit coverage, ensuring that the coverage takes into account the ILSC Group’s primary risks, and recommending approval of the internal audit work plan by the ILSC Group or the nominated delegate
 - reviewing all internal audit reports, providing advice to the ILSC Group on major concerns identified in those reports, and recommending action on significant matters raised - including identification and dissemination of information on good practice.
- Provide a statement to the ILSC Group whether the ILSC Group’s system of internal control is appropriate, with reference to any specific areas of concern or suggestions for improvement; and
- Satisfy itself that the ILSC Group has appropriate mechanisms for reviewing relevant parliamentary committee reports, external reviews and evaluations of the entity and implementing, where appropriate, any resultant recommendations.

Authority

In carrying out the above functions, the ILSC Board authorises the Committee to:

- Obtain any information it requires from any employee, subsidiary or external party (subject to any legal or confidentiality obligations or considerations);
- Discuss any matters with internal or external auditors including the ANAO or other external parties (subject to any confidentiality considerations);
- Request the attendance of a Director or any employee of the ILSC or a subsidiary at committee meetings;
- Review reports provided to the ILSC Board from ILSC subsidiaries on financial or performance reporting, systems of risk oversight and management, and internal control as and when requested by the ILSC Board;
- Participate in or observe key strategic and planning meetings of the Board(s) or Management;
- Request relevant briefings from a subsidiary of the ILSC at committee meetings (including from the Chair of any subsidiary Audit and Risk Committee); and

- Obtain legal or other professional advice, as considered necessary to meet its responsibilities, at the ILSC's expense to a pre-approved limit of \$5,000.

Composition and tenure

The Committee Chair and members will be appointed by the Board and must consist of at least three (3) persons, who have appropriate qualifications, knowledge, skills or experience to enable the Committee to perform the functions and collectively possess the expertise necessary to effectively advise the Board and who otherwise comply with any legislative requirements to be a member of an audit committee of a Commonwealth corporation.

The Chair of the Board, or employees must not be members. The ILSC Executive however have standing invitations to attend meetings as observers.

All members of this Committee should possess relevant technical skills, appropriate policy and subject matter knowledge and a strong understanding of the Group's operating context including governance, risk and internal control frameworks, financial reporting, performance reporting and compliance responsibilities. Taking into account the required skills and operating context, the Board will determine the number of independent members to be appointed to the Committee. However, the Committee must include at least one (1) Board member.

At least one (1) member of this Committee will have professional accounting or related financial management experience and qualifications with an understanding of accounting and auditing standards in both the private, not for profit and public sector environment.

The Chair of the Committee may seek Board approval for the engagement of external specialist advice where the Committee considers it necessary to cover specific risk exposures.

Members will be appointed for an initial period not exceeding three (3) years or the term of their appointment to the ILSC Board, if an ILSC Board Member (whichever is the lesser). Re-appointment of members for a further period may occur following a formal review of their performance by the ILSC Board.

Responsibilities of members

Members of the Committee must understand and observe the legal requirements of the *ATSI Act*, *PGPA Act*, *Rules*, relevant Commonwealth requirements (Resource Management Guides) and the application to the ILSC and its subsidiaries. Members are also expected to:

- Act in the interests of the ILSC and its subsidiaries;
- Apply good analytical skills, objectivity and good judgment;
- Express opinions constructively and openly, raise issues that relate to the Committee's functions and responsibilities and pursue independent lines of enquiry; and
- Contribute the time required to review the papers provided and actively participate in meetings.

Relationships and Reporting

The Committee will provide the ILSC Board with a written report following each meeting. This report will incorporate advice regarding the Committees legislated functions, including any areas of concern or suggestions for improvement.

Where the Committee Chair is an Independent member, the Chair of the Board, Management and internal audit will actively engage with the Chair to ensure effective working relationships are maintained, including the attendance at Board meetings to discuss the following annual events:

- Review of the Annual Financial Statements, Annual Performance Statement and supporting processes;
- Consideration of the Annual Internal Audit Program and review of the performance of Internal Audit;
- Review of the ILSC Group's Enterprise Risk Management Framework;
- Following the consideration of an ANAO or Departmental report into or requests for information pertaining to Group operations or processes; and
- Attend Annual Strategic planning sessions.

The Committee will as often as necessary, and at least once a year, report to the ILSC Board on its operation and activities during the year.

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

Administrative arrangements

Meetings, attendance and quorum

The Committee will hold such meetings as required in order to fulfill its duties, but will meet at least four (4) times a year. A special meeting may be held to review the annual financial statements.

The Chair of the Committee is required to call a meeting if asked to do so by the Chair of the ILSC Board and decide if a meeting is required if requested by another committee member.

A quorum will consist of a majority of members.

Meetings may be held in person, by telephone, by video conference or by any other suitable electronic meeting arrangement.

Minutes of meetings must be kept and reported to the ILSC Board.

Planning

The Committee will develop a forward meeting schedule and work-plan, covering all functions outlined in this Charter including dates, location, and proposed agenda items for each meeting for the forthcoming year.

Secretariat

The ILSC will provide secretariat support.

Conflicts of interest

Committee members will provide written advice to the Chair for provision to the ILSC Board declaring any potential or actual conflicts of interest they may have in relation to their responsibilities.

At the beginning of each 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 Chair, the member will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s). The minutes will appropriately record details of potential or actual conflicts of interest declared by members and action taken.

Review of Functions

The Chair of the Committee, in consultation with the Chair of the ILSC Board, will initiate a review of the performance of the Committee at least once every two (2) years.

At least once a year the Committee will review this Charter. This review will include consultation with the ILSC Board.

The Committee will recommend any changes to the ILSC Board for formal approval.



Signed by:

Chair, Indigenous Land and Sea Corporation
Audit and Risk Committee



Signed by:

Chair, Indigenous Land and Sea Corporation Board

Appendix A: Considerations for audit committees – Department of Finance “A guide for corporate Commonwealth entities on the role of audit committees”.

ILSC Board Approval:

ILSC Board Meeting No: 295

Date: 17 August 2022

Reviewed – No changes required July 2022 (V15)

Reviewed – Amendments May 2021 (V14.5)

Reviewed – Minor amendments March 2021 (V14.4)

Reviewed – ARC Chair and ILSC Board - October 2020 (V14.3)

Audit Committee Name Change – December 2019 (V14.2)

ILSC Name Change – February 2019 (V14.1)

Reviewed – AAC Meeting No. 88 November 2018 (V14)

Reviewed - AAC Meeting No.81 November 2017 (V13)

Reviewed - AAC Meeting No. 73 6 June 2016 – No change

Reviewed – June 2015 (V12.1)

Appendix A: Considerations for Audit Committees

The following boxes contain some general considerations that could assist audit committees reviewing the functions listed in subsection 17(2) of the PGPA Rule. In view of its knowledge and experience, an audit committee will need to ask more specific, fit for purpose questions relevant to the entity's particular operating context.

Financial reporting review function

Box 1 Financial reporting: audit committee considerations for providing advice

The following are some matters to consider for an audit committee when reviewing the appropriateness of the board's financial reporting:

- Has the committee had access to the information it needs in order to form a view on the appropriateness of the accountable authority's financial reporting, including any necessary certifications from management?
- Is the committee satisfied that the entity has effective processes in place for preparation of financial reports?
- Is the committee satisfied with the entity's process for preparing additional information required by the Department of Finance to prepare the Australian Government consolidated financial statements?
- Is the committee satisfied that:
 - any new reporting requirements have been adequately explained?
 - all reports comply with the relevant accounting standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* requirements?
 - balances involving significant judgement and estimation are adequately supported?
 - all significant or unusual transactions have been adequately explained?
 - effective quality assurance processes have been followed?
 - any significant changes to accounting policies for annual financial statements are disclosed?
- Has the committee been fully briefed on any significant matters—including errors or discrepancies in the draft annual financial statements identified by ANAO—and have adjustments been made to the financial statements where appropriate?
- Is the committee satisfied with the entity's processes for staying informed throughout the year of any changes or additional requirements in relation to financial reporting?
- Is the committee satisfied that there is proper financial record keeping?
- Has management taken or initiated action to redress any major control or other shortcomings identified by Finance, the ANAO or internal audit?

Performance reporting review function

Box 2 Performance reporting: audit committee considerations for providing their advice

The following are some matters to consider for an audit committee when reviewing the appropriateness of the board's performance reporting:

- Is the performance information appropriate—that is, relevant, reliable and complete?
- Does the committee have a good understanding of the measures against which the entity will assess its performance and how these measures were identified?
- Do they reflect the success of the entity in achieving its purpose?
- Does the committee have a good understanding of the systems, controls and processes that enable the entity to report against its performance?
- Does the committee understand who benefits from an entity's activities and how they benefit?
- Is the committee satisfied that the entity's performance reporting arrangements:
 - meet the requirements of the PGPA Act and Rule?
 - have regard to the Commonwealth performance framework guidance material?
 - reflect any comments and recommendations made in relation to ANAO audit reports?
 - cover the entire performance reporting cycle?
- Has the committee had access to the information it needs in order to form a view on the appropriateness of the board's performance reporting, including any necessary certifications from management?
- In undertaking its role, the audit committee may judge that a rolling approach to detailed review is likely to be of greater value than to attempt to cover every performance area in the one year.

System of risk oversight and management review function

Box 3 Risk oversight and management: audit committee considerations for providing their advice

The following are some matters to consider for an audit committee when reviewing the appropriateness of the board's system of risk oversight and management:

- Has the committee had access to the information it needs in order to form a view on the appropriateness of the board's system of risk oversight and management, including any necessary certifications from management?
- Is the entity's risk management framework comprehensive, and up to date?
- Does it cover all aspects of the entity's operations and is it sufficient for the entity, having regard to the nature and extent of the entity's risks?
- Have all major risks been identified—including fraud risks—and have strategies for managing those risks been established?
- Has management satisfied the audit committee that it is managing the entity's risks—including that the controls designed to mitigate these risks are relevant and are working effectively and that responsibilities are clearly assigned?
- Has the committee identified information about any significant internal control breakdown or near miss?
- Is the committee satisfied that the entity's management has implemented the lessons learnt and the risks have been reassessed and treated accordingly?
- Does the committee perceive any emerging risks or significant changes to the entity's strategic risks that should be captured by the entity's management and appropriately treated?
- Does the committee receive all information on potential or actual fraudulent activity and the outcomes of fraud investigations?
- Has management satisfied the audit committee that it creates and manages the organisation's risk culture effectively—including whether officials are taking account of risk and the entity's risk appetite in their decision-making?
- Has the committee satisfied itself that the primary roles and responsibilities relating to risk management are clear and work effectively?

System of internal control review function

Box 4 Internal control: audit committee considerations for providing its advice

The following are some matters to consider for an audit committee when reviewing the appropriateness of the board's system of internal control:

- Has the committee had access to the information it needs in order to form a view on the appropriateness of the board's system of internal control, including any necessary certifications from management?
- Are the entity's accountable authority instructions, policies and procedures kept up to date and are they easily accessible to all staff?
- Do the entity's internal controls link to the key risks identified for the entity and are there arrangements for monitoring and assessing their effectiveness and compliance with internal controls?
- Is the committee satisfied that management has effective processes for assessing the adequacy of the entity's information security arrangements—including complying with entity reporting obligations?
- Does the entity have effective controls for services provided to it by other entities or external parties?
- Has management satisfied the audit committee that the entity is aware of its legislative responsibilities and has in place processes designed to identify non-compliance?
- Is the committee satisfied that the entity has in place processes for identifying instances of any significant issues, including significant non-compliance with the finance law, which can affect the entity or its subsidiaries?
- Does the entity have effective processes for notifying its minister and the Minister for Finance of instances of any significant issues?
- Was appropriate mitigation action taken to prevent the issue from recurring in future?
- Is internal audit coverage aligned with the entity's primary risks, and does internal audit have adequate resources to complete its work program within the agreed timeframe?
- Do internal audit reports focus on significant matters, and does management take remedial action as required?
- Does the entity have effective business continuity and disaster recovery plans that are regularly tested and continuously improved?
- Do the board and management effectively communicate to all staff their responsibilities in relation to proper use and management of public resources and ethical behaviour and conduct?