

# Audit and Risk Committee Charter



Australian Government  
Australian Skills Quality Authority

ASQA

(Working together)

## 1. Legislative basis

The Accountable Authority, who is the Chief Executive Officer, of the Australian Skills Quality Authority (the agency) has established an Audit and Risk Committee in compliance with section 45 of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) and section 17 of the Public Governance, Performance and Accountability Act Rule 2014 (PGPA Rule).

## 2. Objective

The objective of the Audit and Risk Committee (the committee) is to provide independent advice to the Accountable Authority on the agency's accountability and control framework, including independently verifying and safeguarding the integrity of the agency's financial and performance reporting.

## 3. Authority

The committee is directly accountable to the Accountable Authority for the performance of its functions.

The committee may only review the appropriateness of aspects of agency operations consistent with its functions and advise the Accountable Authority accordingly. The committee has no executive powers in relation to the operations of the agency, however, does have a governance role over the agency's internal audit function.

The Accountable Authority authorises the committee, in accordance with the performance of its functions, to:

- obtain any information it requires from any official or external party (subject to any legal obligation to protect information)
- discuss any matters with the external auditor, internal audit provider or other external parties (subject to confidentiality considerations)
- request the attendance of any official, including the Accountable Authority at committee meetings, and
- obtain external legal or other professional advice as considered necessary to meet its responsibilities at the agency's expense, subject to Accountable Authority approval.

## 4. Functions of the committee

The Accountable Authority has determined that the functions of the committee are to review and give independent advice about the appropriateness of the agency's:

- financial reporting
- performance reporting
- systems of risk oversight and management, and
- systems of internal control.

The committee also has a governance role in relation to internal audit, which is further outlined in Section 6.

The committee will provide independent written advice to the Accountable Authority on the appropriateness of these functions on an ongoing basis, with reference to any specific areas of concern or suggestions for

improvement. This advice will be provided through the minutes of the committee meetings, with additional written advice provided by the committee to the Accountable Authority if required.

The committee will also provide an Annual Report to the Accountable Authority which includes its assessment on the appropriateness of these functions as a whole, as well as an assessment of the committee's performance.

To fulfil this function, the committee will review information provided by, and make relevant enquiries of, the agency's management, internal auditors, external auditors and other external parties, during the committee meetings.

As far as is practicable, the committee will indicate to the Accountable Authority which matters it plans to consider in conducting the committee's functions for the year in a forward agenda, noting that other or additional matters may also be considered in response to changes in the agency's operations and environment.

## 5. Function information

To fulfil its function as outlined in Section 4 above, the committee will consider the following key areas.

### 5.1 Financial Reporting

The committee will review the appropriateness of the Accountable Authority's financial reporting for the agency and provide advice on the:

- a) processes and systems for preparing financial reporting information and financial record keeping
- b) annual financial statements, including whether these comply with the mandatory requirements of the PGPA Act, the PGPA Rules, and the Accounting Standards and also consider advice given in supporting guidance
- c) processes in place to allow the agency to stay informed throughout the year of any changes or additional requirements relating to financial reporting, and
- d) information (other than annual financial statements) requested by Department of Finance in preparing the Australian Government's consolidated financial statements, including the supplementary reporting pack.

The committee will also discuss with the external auditor their judgements about the adequacy of the agency's accounting policies, the quality of the agency's processes for preparation of the annual financial statements and consider whether management has taken appropriate action in relation to any issues raised in relation to financial reporting during the external audit process.

The committee shall provide to the Accountable Authority at the end of each financial year, prior to the Accountable Authority signing the financial statements, a written statement regarding:

- whether the annual financial statements, in the committee's view, comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance
- whether additional agency information (other than financial statements) required by Department of 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, and
- the appropriateness of the agency's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

## 5.2 Performance Reporting

The committee will review the appropriateness of the Accountable Authority's performance reporting for the agency and provide advice on:

- a) the appropriateness of the systems and processes for assessing, monitoring and reporting on the agency's performance, including whether:
  - the agency's Portfolio Budget Statements and corporate plan contain appropriate details of how the agency's performance will be measured and assessed
  - the agency'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, and
  - there are appropriate systems and processes for preparation of the agency's annual performance statement and inclusion of the statement in its annual report.
- b) the appropriateness of the agency's annual performance statements.

The committee shall provide a written statement to the Accountable Authority whether, in their view, the annual performance statements and performance reporting as a whole are appropriate and comply with the PGPA Act and the PGPA Rules, with reference to any specific areas of concern or suggestions for improvement.

## 5.3 Risk Oversight & Management

The committee will review the appropriateness of the Accountable Authority's system of risk oversight and management for the agency, and provide advice on the appropriateness of the agency's:

- a) design and implementation of the risk management framework and the necessary internal controls and practices for the effective identification and management of the agency's risks, including compliance with mandatory requirements of the PGPA Act, the PGPA Rule, the Commonwealth Risk Management Policy and considering advice in supporting guidance
- b) approach to managing the agency's key risks, including those associated with individual projects and program implementation and activities
- c) process for developing and implementing the agency's fraud control arrangements consistent with the fraud control framework, including the adequacy of processes to detect, capture and effectively respond to fraud risks, and
- d) articulation of key roles and responsibilities relating to risk management and adherence to them by officials of the agency.

The committee shall provide a written statement to the Accountable Authority whether, in their view, the system of risk oversight and management as a whole is appropriate (with reference to the Commonwealth Risk Management Policy) and identify any specific areas of concern or suggestions for improvement.

## 5.4 Internal Control

The committee will review the appropriateness of the Accountable Authority's system of internal control for the agency.

The committee will provide a written statement to the Accountable Authority whether the system of internal control is appropriate for the agency, with reference to any specific areas of concern or suggestions for improvement.

The committee's review will include the following key areas.

#### **5.4.1 Internal control framework**

- a) Whether management's approach to maintaining an effective internal control framework is appropriate for the agency.
- b) Whether management has in place relevant policies and procedures (such as Accountable Authority instructions, delegations, Workplace Health and Safety (WHS), bullying and harassment policies) and appropriate processes are in place for assessing compliance with key policies and procedures.
- c) Obtain and review an annual report from agency management on the state of the internal control framework.

#### **5.4.2 Legislative and policy compliance**

- a) Effectiveness of systems for monitoring the agency's compliance with laws, regulations and associated government policies with which the agency must comply.
- b) Whether management has adequately considered legal and compliance risks as part of the agency's risk management framework, fraud control framework and planning processes.

#### **5.4.3. Security**

- a) Management's approach to maintaining an effective internal security system and appropriate information security arrangements—including complying with the Protective Security Policy Framework.
- b) Management's periodic assessments of the adequacy of the agency's information security arrangements, including complying with agency reporting obligations.

#### **5.4.4. Business continuity**

- a) Whether an appropriate approach has been followed in establishing the agency's business continuity planning arrangements—including whether business continuity and disaster recovery plans have been periodically updated and tested.

#### **5.4.5. Ethical and lawful conduct**

- a) Whether the Accountable Authority has taken steps to embed an appropriate culture which includes the promotion of the proper use and management of public resources and a commitment to ethical and lawful conduct.

#### **5.4.6. Governance arrangements**

- a) Whether the agency's governance arrangements are appropriate to ensure compliance with the entity's specific legislative requirements
- b) Whether appropriate mechanisms exist for the Accountable Authority to be informed of all significant issues, including oversight of any audit and assurance recommendations.

### 5.4.7. Parliamentary Committee reports, external reviews and evaluations

- a) Whether the agency has appropriate mechanisms for reviewing relevant Parliamentary Committee reports, external reviews and evaluations of the agency and effectively implementing, where appropriate, any resultant recommendations.

The committee may also undertake other activities related to its responsibilities as requested by the Accountable Authority.

## 6. Internal Audit

The agency's internal audit function is responsible for delivering an appropriate internal audit program as approved by the Accountable Authority.

The Committee will exercise a governance role in relation to the agency's internal audit function, which includes:

- a) reviewing the Internal Audit Charter on an annual basis and reporting the results, including any suggested changes, to the Accountable Authority
- b) reviewing the proposed internal audit coverage in the Internal Audit Annual Plan, to ensure it takes into account the agency's key risks, and recommend approval of the Internal Audit Annual Plan by the Accountable Authority
- c) reviewing all internal audit reports, providing advice to the Accountable Authority on significant issues identified in those reports, and recommending action on significant matters raised—including identification and dissemination of information on good practice
- d) work with the Accountable Authority or delegate to ensure that, to the extent possible, the work programs of the committee, internal audit and other assurance and review functions are aligned and coordinated; and
- e) at the request of the Accountable Authority, periodically reviewing performance of internal audit and providing feedback to the Accountable Authority.

## 7. Committee members


### 7.1 Membership

The committee must consist of at least three (3) independent persons appointed by the Accountable Authority, with a majority of members being from non-Commonwealth entities.

Committee members will be initially appointed for a three year period. Members may be re-appointed after a formal review of their performance, for further periods as specified by the Accountable Authority. The Chair will provide advice to the Accountable Authority on a committee members performance where an extension of the members tenure is being considered.

The Accountable Authority will appoint one of the members to be the Chair of the Committee. The committee is authorised to appoint a Deputy Chair who will act as chair in the absence of the Chair.

Representatives from the external auditors and internal audit provider will not be members of the committee; however, may attend relevant committee meetings (in whole or in part) as observers, as determined by the Committee Chair.



Agency staff and their representatives will not be members of the committee; however, may attend relevant committee meetings (in whole or in part). The Accountable Authority, the Deputy CEO or their representatives each have a standing invitation to attend meetings of the committee as an observer. Other senior management or their representatives, such as the Chief Financial Officer, may attend meetings as advisers or observers, as determined by the Committee Chair.

## 7.2 Skills and Experience

The committee members, taken collectively, will have a broad range of skills and experience relevant to the operations of the agency.

All members should be conversant with financial management reporting, and at least one member of the committee will have accounting or related financial management experience and/or qualifications and a comprehensive understanding of accounting and auditing standards.

The appropriateness of the skills and experience of the committee members will be assessed on an annual basis, or as otherwise required, by the Accountable Authority. A matrix of the breadth of knowledge, skills and experience required for the collective committee members can be found at Appendix A.

New members will receive relevant information and briefings upon their appointment to the committee to assist them to meet their committee responsibilities.

## 7.3 Expectations of Members

The committee will engage with agency management, the external auditors, internal audit provider and any other stakeholders in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Accountable Authority.

All committee members are expected to:

- act in the best interests of the agency as a whole
- apply good analytical skills, objectivity, and sound 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 its responsibilities, or unless expressly agreed by the Accountable Authority.

## 7.4 Committee Chair

The Committee Chair is appointed by the Accountable Authority, and will:

- provide leadership and determine the culture and behaviour of the committee, and promote an open and cooperative relationship with agency management, the internal audit provider, the external auditors, and other stakeholders
- set the work program and determine each meeting agenda
- ensure, in consultation with the Accountable Authority, that any items raised out of session with the Chair that may require the committee's review are appropriately scheduled at a committee meeting or otherwise communicated

- encourage a free and open discussion at the meetings to enable all matters on the meeting's agenda to be dealt with effectively, efficiently and allowing any committee member to raise other issues they believe are relevant
- ensure decisions and actions arising from meetings are clearly articulated and that accurate and complete minutes are kept and records maintained (delegated to secretariat), and
- engage with the Accountable Authority as appropriate on outcomes and decisions from the committee.

## 7.4 Conflicts of Interest

Once a year, the committee members will provide written declarations to the Accountable Authority declaring any potential or actual conflicts of interest they may have in relation to their functions.

At the beginning of each meeting, committee members must verbally declare any potential or actual conflicts of interest that may apply to specific matters or topics on the meeting agenda. The Chair will decide how to manage this conflict of interest and may require the committee member to be excused from the meeting or from the committee's consideration of the relevant agenda item(s).

Where the Chair declares a conflict of interest, they are responsible for deciding, in consultation with the Accountable Authority where appropriate, if they should excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s).

Details of conflicts of interests declared by the Chair and other members and the actions taken, will be appropriately recorded in the minutes.

## 8. Committee Governance

### 8.1 Charter

This charter is a key governance document as it articulates the purpose, authority, responsibility, and operation of the committee by the Accountable Authority.

The committee will review this charter annually, in consultation with the Accountable Authority and other stakeholders as required (e.g., external auditors, internal audit provider).

Any substantive changes to the charter will be recommended by the committee and formally approved by the Accountable Authority.

### 8.2 Annual Work Plan

The committee will develop an annual forward work plan that includes the proposed agenda items for each meeting to ensure coverage of all functions of the committee outlined in this charter.

A detailed agenda will be developed for each meeting which is based on the annual forward work plan and may include additional items for committee consideration as agreed with the Committee Chair.





## 8.3 Sub-Committees

The committee may establish one or more sub-committee/s to assist the committee in meeting its responsibilities, in consultation with the Accountable Authority.

The responsibilities, membership and reporting arrangements for a sub-committee shall be documented and approved by the committee. The sub-committee should not assume any management functions nor should management exert inappropriate influence over the work of a sub-committee.

## 8.4 Meetings

The committee will meet at least four (4) times per year (each quarter). Meetings can be held in person, by telephone or by video conference.

Additional meetings may be called at the discretion of the committee Chair, in circumstances including the following:

- one or more special meetings may be held to review the agency's annual financial statements and performance statement
- if requested by another member of the committee, the Accountable Authority, internal audit provider or the external auditor, and
- in order or to meet other specific responsibilities of the committee.

A quorum will consist of a majority of committee members, with the quorum in place at all times during the meeting.

The committee can request the attendance of any official, including the Accountable Authority, at committee meetings. A representative(s) of the Australian National Audit Office (ANAO) and the agency's internal auditors will be invited to attend meetings of the committee, as observers.

The committee will hold member-only sessions and will invite the internal audit provider and external auditors to attend these member-only sessions on at least an annual basis.

## 8.5 Reporting

Minutes will be recorded for each meeting by the committee secretariat. Minutes must be reviewed by the committee Chair and circulated in a timely manner to each committee member and advisers and observers, as appropriate.

The committee will report on the outcomes of meetings to the Accountable Authority following each quarterly meeting.

The committee will provide an annual report to the Accountable Authority which includes its assessment of the appropriateness of the agency's functions outlined in Section 4, as well as an assessment of the committee's performance.

## 8.6 Secretariat

The Accountable Authority will appoint a person to provide secretariat support to the committee. The secretariat will:

- prepare an agenda for each meeting which aligns with the committee annual forward work plan which is approved by the committee Chair
- circulate the approved agenda and supporting papers at least one (1) week before the meeting
- prepare accurate and complete minutes for each meeting which are approved by the committee Chair, and ensure they are circulated within two (2) weeks of the meeting
- maintain an action list of items arising from each meeting and actively engage with stakeholders on the status of these items to ensure the committee is provided with required information in a timely manner
- support the Accountable Authority in the appointment of new committee members and provide induction materials to these members, and
- support the committee Chair in administrative matters relating to the committee.

## 8.7 Review of performance

The committee Chair, in consultation with the Accountable Authority, will undertake a review of the performance of the committee at least annually.

The annual review will be conducted on a self-assessment basis, unless otherwise determined to be required more frequently by the Accountable Authority. Input will be sought from the Accountable Authority, committee members, senior management, the internal audit provider, the external auditors and any other relevant stakeholders, as determined by the Accountable Authority.

### Approved



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Saxon Rice

Chief Executive Officer

Date: 29 July 2024

## Review and document control

Version number	Operative date	Summary of changes from last version	Approved by
7	11 July 2022	Annual review of Charter conducted in June 2022. Minor updates, including renaming Audit Committee to Audit and Risk Committee  Annual review in May 2023. No changes identified.  Annual review in April 2024. No changes identified.	Accountable Authority
6	14 June 2021	Annual review of Charter conducted in March 2021. Significant updates were identified to refresh the Charter and the operation of the Audit Committee within ASQA, which also aligned with ASQA's strategic objectives and regulatory reform agenda.	Accountable Authority
5	12 March 2020	Annual review of Charter. Updates to functions based on latest Model Charter issued by Department of Finance	Accountable Authority
4	19 March 2019	Restructure of charter to align with model charter issued by Department of Finance	Accountable Authority
3.1	9 March 2017	Changes to membership composition	Accountable Authority
3	16 December 2015	Changes to membership composition	Accountable Authority
2	1 June 2015	Changes to legislative references Changes to membership composition	Accountable Authority
1.1	9 February 2012	Initial	Accountable Authority

## Appendix A: Audit committee skills matrix

Breadth of knowledge, skills and experience			
←	←	→	→
Audit Committee review of:	Audit Committee collective knowledge	Each member to be familiar with	General desirable skills for each member
Financial reporting	<ul style="list-style-type: none"> <li>Accounting and auditing standards</li> <li>Accounting and financial management</li> </ul>	<ul style="list-style-type: none"> <li>The entity's operating context</li> <li>PGPA Act and Rules</li> </ul>	<ul style="list-style-type: none"> <li>Business or industry in which the entity operates</li> <li>Strategic thinking and awareness of government priorities</li> <li>Ability to question, enquire and investigate information</li> <li>Completion of relevant recognised qualification</li> <li>Research and data interrogation</li> <li>Audit process management</li> <li>Program and project management</li> <li>Strong leadership and stakeholder management</li> </ul>
Performance reporting	<ul style="list-style-type: none"> <li>Sound understanding of the entity's purpose, and its business and services</li> <li>Sound understanding of the entity's operating environment and business operations</li> <li>Sound understanding of the Commonwealth performance framework and expectations for the performance reporting to inform the public and the Parliament</li> </ul>	<ul style="list-style-type: none"> <li>Commonwealth performance framework</li> <li>Relevant legislative and policy requirements</li> </ul>	
System of risk oversight and management	<ul style="list-style-type: none"> <li>Commonwealth Risk Management Policy</li> <li>Risk identification, evaluation and management in complex organisations</li> <li>Public/private sector risk management experience</li> <li>Good understanding of public sector emerging risks and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Roles of external and internal audit</li> <li>The entity's Portfolio Budget Statement and government outcomes</li> <li>Information management and security</li> </ul>	
System of internal control	<ul style="list-style-type: none"> <li>Accountability and internal control resource management guidance</li> <li>Operations of government and the public sector</li> <li>Understanding of processes, practices and record keeping in complex organisations</li> <li>Understanding of compliance and internal control principles revision</li> <li>Understanding of the key elements of control effectiveness and methodologies of assessment</li> <li>Understanding of requirements of information and communication technology</li> </ul>		

Source: Department of Finance, *A guide for on-corporate Commonwealth entities on the role of audit committees*, accessed from [A guide for NCEs on the role of audit committees\\_0.pdf \(finance.gov.au\)](#) on 13 May 2021.