



Australian Government
Australian Submarine Agency

ASA

ASA Audit and Risk Committee

Terms of Reference



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Reviews and approvals

This document has been reviewed and approved by the personnel listed in the below table.

| Name | Title | Role | Date |
|-----------------------------|---|--------------------------------|-------------|
| Jennifer Clark | Chair Audit and Risk Committee | Reviewer | April 2024 |
| Megan Lees | Chief Operating Officer | Reviewer | April 2024 |
| David Hallinan | Deputy Director General Program and Policy | Reviewer | April 2024 |
| Audit and Risk Committee | Members Audit and Risk Committee | Recommendation for approval | July 2024 |
| VADM Jonathan Mead | Director General Australian Submarine Agency | Approver | August 2024 |

Purpose

1. The Director General of the Australian Submarine Agency (agency) has established the Audit and Risk Committee (the Committee) in accordance with Section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and Section 17 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule).

Objective

2. The objective of the Committee is to provide independent advice to the Director General of the agency.

Functions

3. Consistent with subsection 17(2) of the PGPA Rule, the functions of the Committee include reviewing the appropriateness¹ of the Director General's financial reporting; performance reporting; system of risk oversight and management; and system of internal control for the agency as reflected in the below.

Financial Reporting

4. The Committee will review and provide written advice to the Director General on the appropriateness of:
 - a. the annual financial statements and their compliance with the PGPA Act, the PGPA Rule, and the Accounting Standards, and recommend the signing of the financial statements by the Director General;
 - b. the agency's consolidated financial statements supplementary reporting pack; and
 - c. the agency's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

Performance Reporting

5. The Committee will review and provide written advice to the Director General on the appropriateness of:
 - a. the framework for developing and reporting performance information including compliance with mandatory requirements of the PGPA Act and PGPA Rule;
 - b. performance information to be included in the Portfolio Budget Statements and the Corporate Plan;
 - c. performance information to be included in the annual performance statements; and
 - d. the agency's performance reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

¹ For the purposes of the PGPA Act, PGPA Rule and this Terms of Reference, and consistent with rules of statutory interpretation, 'appropriateness' has its ordinary meaning of 'suitable or fitting for a particular purpose'.

System of risk oversight and management

6. The Committee will review and provide written advice to the Director General on the appropriateness of:
 - a. the agency's enterprise risk management framework and associated procedures for effective identification and management of risks consistent with the Commonwealth Risk Management Policy;
 - b. the approach to managing the agency's key risks, including those associated with projects, program implementation, and activities;
 - c. the agency's fraud and corruption control arrangements to detect, capture and effectively respond to fraud risks consistent with the Commonwealth Fraud and Corruption Control Policy; and
 - d. the agency's system of risk oversight and management as a whole, with reference to the Commonwealth Risk Management Policy and Commonwealth Fraud and Corruption Control Policy, referring to any specific areas of concern or suggestions for improvement.

System of internal control

7. The Committee will review and provide written advice to the Director General on the appropriateness of the agency's system of internal control by reviewing the following items and advising of any specific areas of concern or suggestions for improvement:
 - a. **internal control framework:**
 - whether key policies and procedures are in place, including Accountable Authority Instructions, delegations, bullying or harassment policies;
 - whether there are appropriate processes to assess whether key policies and procedures are complied with;
 - b. **legislative compliance:** the systems for monitoring the agency's compliance with key laws, regulations and associated government policies;
 - c. **business continuity arrangements:** including whether business continuity and disaster recovery plans are in place and have been periodically updated and tested;
 - d. **security compliance:** management's approach to maintaining an effective internal security system through review of the Protective Security Policy Framework maturity assessment;
 - e. **audit arrangements** including:
 - internal audit forward work program: review whether internal audit coverage addresses key risks and recommend approval by the Director General;
 - audit reports: review all internal audit reports and ANAO performance audits that relate to the agency and provide advice to the Director General on major concerns identified;
 - audit recommendations: monitor implementation of agreed actions relating to recommendations from internal audits and ANAO performance audits that relate to the agency;
 - internal audit charter: review charter to see that it includes appropriate authority, access, and reporting arrangements;

- internal audit service providers: meet privately with the internal auditors at least once per year;
 - ANAO annual meeting: meet privately with ANAO representatives at least once a year.
- f. **parliamentary committee reports and external reviews**: the mechanisms for reviewing relevant parliamentary committee reports, external reviews and evaluations of the agency, and reviewing the implementation of any resultant recommendations;
- g. **ethical and lawful conduct**: the steps taken to embed a culture that promotes the proper use and management of public resources and the commitment to ethical and lawful conduct; and
- h. **procurement and contract management**: the agency's procurement framework including procurement risks and the approach to maintaining policies and practices consistent with the Commonwealth Procurement Rules.

Composition and Operation

Membership

8. The Director General appoints the members of the Committee including the Chair. Under Subsection 17(3) of the PGPA Rule the Committee must consist of at least three (3) persons.
9. In accordance with Subsection 17(4) of the PGPA Rule all of the members of the Committee must be persons who are not officials of the agency, and a majority of the members must be persons who are not officials of any Commonwealth entity.
10. Members of the Committee are expected to attend all meetings and may not be represented by others.
11. Members of the Committee will be appointed for an initial period determined by the Director General. Members of the Committee may be re-appointed after a formal review of their performance for further periods as specified by the Director General.
12. Members of the Committee are expected to understand and observe the legal requirements of the PGPA legislation and are also expected to:
 - a. act in the best interests of the agency;
 - b. apply good analytical skills, objectivity and good judgement;
 - c. express opinions constructively and 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.
13. Consistent with subsection 17(5) of the PGPA Rule, the Director General and the Chief Finance Officer may attend meetings but cannot be members of the Committee.

Advisers and Observers

14. The Director General will appoint senior officials of the agency, one of whom shall be the Chief Operating Officer and the other a Deputy Director General, as permanent senior Advisers to the Committee.

15. Permanent Senior Advisors are expected to attend every meeting and may only be represented by either a person acting in their position or a person otherwise designated by that Permanent Senior Advisor, with appropriate notice to the Chair through the Committee secretariat.
16. Other Senior ASA Executives may attend relevant Committee meetings (in whole or in part) at the invitation of the Chair.
17. Representatives from the Australian National Audit Office may attend Committee meetings (in whole or in part) as observers.

Conflicts of Interest

18. Once a year, and when otherwise required, the Committee members will provide written declarations of any potential or actual conflicts of interest they may have in relation to their responsibilities as members of the Committee. Members should consider past employment, consultancy arrangements and related issues when making these declarations.
19. At the beginning of each Committee meeting, members, advisers and observers will be required to declare any potential or actual conflicts of interest that may apply to specific matters on the meeting agenda including any actual or potential conflict previously notified.
20. The Chair will determine how any actual or perceived conflict of interests will be managed which may include members, advisers or observers being excused from the meeting or from the Committee's consideration of the relevant agenda item(s). The Chair is also responsible for deciding, in consultation with the Director General where appropriate, if they should excuse themselves from the meeting or from the Committee's consideration of relevant agenda items(s). Details of any material personal interests declared by the Chair, other members, advisers and observers, and actions taken, will be appropriately recorded in the meeting minutes.

Committee Authority

21. The Director General authorises the Committee, in performing its functions, to:
 - a. seek any information it requires from any official of the agency or external party;
 - b. request legal or other professional advice, subject to approval by the appropriate delegate; and
 - c. require the attendance of any official of the agency at meetings, as appropriate.
22. The Director General directs officials of the agency to cooperate with the Committee.

Independence

23. The Committee is directly accountable to the Director General for the performance of its functions.
24. The Committee has no executive powers or managerial responsibilities in relation to the operations of the agency. The Committee may only review the appropriateness of particular aspects of those operations, consistent with its functions, and advise the Director General accordingly.

Sub-committees

25. The Committee may establish sub-committees to support the performance of its functions. The establishment of such sub-committees does not change the Committee's responsibilities under this Terms of Reference.
26. The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by the Committee.

Committee Processes

Meetings

27. The Committee will meet at least six times per year, and more often if required. Special meetings may be held to review the agency's annual financial statements and annual performance statements or to meet other specific responsibilities of the Committee.
28. The Chair will call for any additional meetings if directed by the Director General, or if requested by another Committee member.
29. The Committee is authorised to make decisions out of session between meetings. Any such decisions shall be in writing and documented at the next meeting of the Committee.

Quorum

30. A quorum for any Committee meeting will be the majority of the members. A quorum must be in place for the duration of the meeting.

Secretariat

31. The agency will provide secretariat services and support to the Committee.
32. The Secretariat will ensure the Chair approves the agenda for each meeting; that the agenda and supporting papers are circulated at least five (5) business days before each meeting; and the minutes of each meeting are prepared and maintained.
33. The minutes of meetings must be reviewed by the Chair and circulated in a timely manner to each member prior to being included in the papers for approval at the next meeting.

Annual Work Plan

34. The Committee will document the matters it will consider during any given year through an annual work plan. The work plan will include the proposed agenda items for each meeting and cover all of the functions outlined in this Terms of Reference.

Reporting

35. The Chair will report to the Director General after each meeting. Any matter deemed of sufficient importance will be reported to the Director General immediately.
36. The Committee will, as often as necessary, and at least once a year, report to the Director General on its operation and activities against the responsibilities outlined in this Terms of Reference.

Agency Annual Report Requirements

37. Section 17AG (2A) of the PGPA Rule establishes that the following information in relation to the Committee is to be included in the agency's Annual Report:

- a. A direct electronic address of this Terms of Reference that determines the functions of the Committee;
- b. The name of each member of the Committee during the period;
- c. The qualifications, knowledge, skills or experience of those members;
- d. information about each of those members' attendance at meetings of the Committee during the period; and
- e. The remuneration of each of those members.

The Secretariat will liaise with the members to facilitate the provision of this information.

Record-Keeping

38. The Committee Secretariat must maintain Committee records in accordance with the agency's Records Management Policy, its obligations under the *Archives Act 1983* and Section 37 of the *PGPA Act*.

Review of the Committee Performance

39. The Chair of the Committee will initiate a review of the performance of the Committee at least once every two years. The outcomes of this assessment will be reported to the Director General. The Director General may also initiate a review.

Review of Terms of Reference

40. The Committee will review this Terms of Reference at least annually, and endorse it for approval by the Director General.