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AAFCANS

Army & Air Force Canteen Service

AAFCANS AUDIT CHARTER



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1. INTRODUCTION

The Army and Air Force Canteen Service's Audit Committee complies with section 45 of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)* and PGPA Rule section 17 *Audit Committee for Commonwealth Entities*.

AAFCANS' Audit Committee (AC), a sub-committee of the board, ensures compliance with AAFCANS' responsibilities under the AAFCANS Regulations 1959 and with the *Public Governance, Performance and Accountability Act 2013* in respect of financial reporting, performance reporting, financial risk oversight and management, internal controls and compliance with relevant laws and policies. The AC also directs the activities of the AAFCANS internal audit function where internal financial processes are reviewed.

This charter establishes the responsibilities, authority and accountabilities of the Audit Committee within AAFCANS.

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



2. OBJECTIVES

The Audit Committee's primary objective is to assist the AAFCANS Board of Management in fulfilling their corporate governance responsibilities for maintaining sound managerial control over all activities within the organisation and reviewing the accounting and reporting practices of the organisation. The PGPA Rule 2014 s17 details the legislative requirements for audit committees of a Commonwealth entity. These requirements are included and detailed throughout this charter.

In addition, the Committee:

- Directs and appraises the activities of the AAFCANS internal audit function (when utilised);
- Maintains, by scheduling regular meetings, open lines of communication among committee members, the internal auditor(s) and the Australian National Audit Office (ANAO) to exchange views and information, and confirms their respective authority and responsibilities;
- Provides an additional review function over the annual financial statements;
- Provides advice regarding financial information requested by the Department of Finance;
- Considers the adequacy of AAFCANS administrative, operating and accounting controls; and
- Ensures that appropriate action is taken on financial matters raised in reports by the internal auditor(s) and the ANAO.

3. DUTIES & RESPONSIBILITIES

The duties and responsibilities of the committee are to:

3.1 Financial report

- review the annual financial statements with the Managing Director, Financial Controller and Head of Governance & Risk and recommend to the board whether these should be accepted, including whether the statements comply with the PGPA Act and the PGPA Rules.
- review the results of the audit with management and ANAO, including any difficulties encountered, compliance with accounting standards and assess areas of significant judgement or values/balances that require estimation.
- review and approve all significant accounting policy changes.
- request reports from management, the internal auditor if applicable and the ANAO on any significant proposed regulatory, accounting or reporting issues, to assess their potential impact upon AAFCANS financial reporting process.
- assess the adequacy and effectiveness of AAFCANS administrative, cultural, operating and accounting policies through active communication with senior operating management, internal audit and the ANAO, and the reporting upon the performance of these functions.
- review the processes are in place to ensure the financial information in the annual report is consistent with the signed financial statements
- review any additional information requests supplied by AAFCANS to the Department of Finance.

3.2 Performance report

- review the proposed reporting of AAFCANS' performance as required under s39 of the PGPA Act to ensure the information is consistent with the reported financial information. This includes the systems and procedures for how performance will be measured and assessed.
- review the appropriateness of AAFCANS performance reporting as required under s17(2) of the PGPA Rule and recommend to the board whether these should be accepted.
- monitor the completeness and accuracy of the non-financial information provided to the board and committee.
- consider any issues referred to the committee by the board or raised by members of the committee that require review of AAFCANS' performance.

3.3 External Audit

- review the audit plans and reports of the ANAO.
- review responses to matters in reports issued by the ANAO.



- meet with the external audit representatives at least annually, to discuss any matters that the audit committee or auditors believe should be discussed privately.

3.4 Internal Control and Compliance

- assess the adequacy and completeness of the relevant policies and procedures designed to maintain an effective internal control framework, including the actions of external parties (e.g. contractors).
- evaluate the adequacy of AAFCANS' financial control systems, including information technology security and control, through management reports (oral and written), reviewing written reports from the internal auditor(s) (where applicable) and the ANAO and by monitoring management's responses and actions to correct any noted deficiencies.
- assess the appropriateness of the management delegations in place, as articulated in the policies and procedures manual.
- actively consider any ethical issues regarding AAFCANS' policies and procedures and embed a culture of ethical and lawful behaviour including the promotion of the proper use of Commonwealth resources.
- determine that appropriate business continuity plans are in place, and that they are periodically reviewed and updated by management.
- monitor the standard of corporate conduct in areas such as arm's length dealings and any likely conflicts of interest.
- identify and direct any special projects or investigations deemed necessary.
- review the effectiveness of the system for monitoring compliance with laws and regulations.
- confirm that all responsibilities outlined in this charter have been carried out.
- evaluate the overall effectiveness of both the internal auditor(s) and the ANAO through meetings with representatives of each group.
- regularly evaluate the performance of the audit committee.

3.5 Internal Financial Audit – when applicable

- review with management the Internal Audit Charter.
- ensure the reporting structure of the internal audit function is appropriate.
- receive and consider periodic reports from the internal auditor(s) and recommend action where appropriate.
- review responses to matters reported by the internal auditor(s).
- review and recommend the appointment, replacement or dismissal of the internal auditor(s).
- ensure that the annual audit plan covers, where appropriate, material business risk outlined in the risk profile.



- meet with the appointed internal audit function privately (excluding management) to discuss the overall performance of AAFCANS and its internal controls.

3.6 Risk Oversight

- assess whether management has a current and sound enterprise risk management framework and associated procedures for the effective identification and management of business risks, including fraud, legal and compliance risks.
- monitor reports on fraud that outline significant or systemic allegations of fraud, the status of any ongoing investigations and any changes to level of fraud risk in AAFCANS.
- be satisfied that a sound approach is followed for the management of AAFCANS highest risks, including those contained in specific projects, program implementations and other activities.

3.7 Reporting Responsibilities

- provide a report to the board after each audit committee meeting regarding the matters discussed and make recommendations where appropriate;
- facilitate open communication between the internal audit function, external auditors and the board.





4. ADMINISTRATION

4.1 Composition of the Committee

The members of the Audit Committee are comprised of three non-executive members, including one military member. This must exclude the Chair of the Board. The other military director and the Chair, whilst not necessarily being members of the committee, are encouraged and welcomed to each meeting as and when they are available.

The Chair of the Audit Committee is appointed by the Board of Management (generally for the term of their Ministerial appointment) however, should the person so appointed not be present within 15 minutes of the commencement time, be unavailable for any reason or ineligible to attend a meeting of the committee then the members present will elect a Chair from those members present at the meeting.

The Managing Director attends each meeting of the Audit Committee by invitation. Representatives of management, the internal audit function and the ANAO are invited to meetings as required. Representatives of the ANAO may attend all meetings if so determined.

The Company Secretary (Head of Governance and Risk) attends each meeting by invitation and provide secretariat support.

The committee will ensure that there is appropriate induction, training and issue awareness raised for all members, thus enabling the committee to function on contemporary issues and latest practices.

4.2 Terms of Membership

Two of the three members of the Committee shall be appointed for the term of their Ministerial appointment (maximum three years). An Air Force military member will fill the third position.

4.3 Authority of the Committee

All decisions of the committee shall be referred to the AAFCANS board when a quorum of the board membership are not represented at the meeting. The only matters that do not require board approval are:

- the Internal Audit Charter and Internal Audit Plan;
- the appointment, replacement or dismissal of the Internal Audit function.



4.4 Access to Information

The committee shall have unlimited access to the internal auditor(s), the ANAO and to the senior management of AAFCANS and to any documentation which is required in the fulfillment of its responsibilities. Information or access on significant issues should be sought in the first instance through the Managing Director.

The committee shall also have the ability to consult independent experts where they consider it necessary to carry out their duties provided the approval of the Chair of the Board is first obtained.

If a member privately seeks advice from an independent expert regarding an AAFCANS matter, confidentiality must always be maintained. In such a case, AAFCANS will not be required to pay for this service.

4.5 Meetings

The committee shall hold meetings on a six-monthly basis and such additional meetings as the Chair shall decide in order to fulfill its responsibilities.

In addition, the Chair is required to call a meeting of the committee if requested to do so by any committee member, the internal audit function or the ANAO. The Head of Governance & Risk is responsible, in conjunction with the Chair, for drawing up and circulating the agenda to committee members, supported by explanatory documentation. Such documentation shall be distributed at least four working days prior to each meeting.

Meetings may be held in person, by telephone or by video conference or any combination of these media.

The Head of Governance & Risk will also be responsible for keeping the minutes of meetings of the committee and circulating them to committee members and other interested parties.

A schedule of meetings including dates and locations will be maintained for the forthcoming year. Standing agenda items based off key responsibilities in this charter will be addressed.

A quorum shall consist of a majority of committee members. The quorum must be in attendance for the full meeting.

The Chair of the Audit Committee will report to the board at the next board meeting on the matters therein discussed. The minutes of all committee meetings will be circulated to all board members.



4.6 Conflicts of Interest

At the beginning of each meeting, members are required to declare any material personal interest that may apply to matters on the agenda. Where required by the Chair, the member will be excused from the meeting or from consideration of the matter under review. Details of material personal interest so declared, and actions taken, will be recorded in the minutes.

4.7 Review of Performance

The committee will review its performance annually against the duties and responsibilities contained in this charter.

4.8 Review of Charter

The committee will review this Charter at least annually. Any changes will be recommended to the board for approval.

Approved and adopted at the committee meeting with a Board quorum on 8 December 2020.

Ms Linda Heron
Chair