

AUSTRALIAN INSTITUTE OF MARINE SCIENCE

AUDIT COMMITTEE CHARTER

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AUSTRALIAN INSTITUTE OF MARINE SCIENCE

AUDIT COMMITTEE CHARTER

The Council of the Australian Institute of Marine Science (AIMS) has established an Audit Committee in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and PGPA Rule 2014 section 17 – Audit Committee for Commonwealth entities.

This Charter sets out the committee’s purpose, responsibilities, authority and membership.

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References

- *The Australian Institute of Marine Science Act 1972*
- *Public Governance, Performance and Accountability Act 2013*
- PGPA Rule 2014 section 17
- Resource Management Guide 202 Audit Committee for Commonwealth entities and commonwealth companies
- Public Sector Audit Committees Better Practice Guide issued by the Australian National Audit Office (ANAO) March 2015

Purpose

The committee is a sub-committee of the Council of the Australian Institute of Marine Science established to assist Council to discharge its responsibilities under the *Australian Institute of Marine Science Act 1972* and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) in respect of financial reporting, performance reporting, risk oversight and management, internal control and compliance with relevant laws and policies.

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 advisory responsibilities and formulating its advice to Council.

Authority

The Council authorises the committee, within its responsibilities, 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 ANAO (external auditors) or other external parties (subject to confidentiality considerations);
- request the attendance of any employee, including members of Council, at committee meetings; and
- obtain legal or other professional advice, at AIMS' expense, as considered necessary to meet its responsibilities.

Responsibilities

Members of the committee are expected to understand and observe the legal requirements of the PGPA Act and rules. Members are also expected to:

- act in the best interests of the entity as a whole;
- apply good analytical skills, objectivity and good 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 the committee's responsibilities, or unless expressly agreed Council.

The Committee will be assisted by the entity's internal audit function that will be responsible for delivering an internal audit program in line with the Audit Committee's guidance, subject to its approval by Council. The internal audit program will be reviewed periodically by the committee and all internal audit reports will be reviewed, in the first instance, by the committee.

Membership

The Audit Committee comprises of a minimum of at least three members, appointed by the Council, one of which must be an independent member (being a person who is not a Council Member or an employee of AIMS).

Committee members, taken collectively, will have a broad range of skills and experience relevant to the operations of AIMS. At least one member of the committee will have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

The Council will appoint the Chair of the committee who shall not be the Chair of AIMS Council. The Council may also appoint a Deputy Chair who will act as chair in the absence of the Chair.

The Chair of Council and other members of the Council may attend committee meetings and receive copies of committee papers.

The Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and Internal Audit and other management representatives may attend meetings as advisors/observers, as determined by the Chair, but will not be members of the committee.

A representative of the ANAO will be invited to attend all (except closed) meetings of the committee, as an observer.

Committee members will be appointed for an initial period not exceeding three years. Members may be re-appointed after a formal review of their performance. The term of a non-executive member of the Council on the committee cannot exceed their term as a non-executive member of the Council.

Functions

As outlined in the Rule section 17, the functions of the committee must include reviewing the appropriateness of the Council's financial reporting, performance reporting; system of risk oversight and management; and system of internal control. These are the four mandatory functions of the committee.

1. Financial reporting

- Review the financial statements and provide advice to the Council (including recommending the signing by the Council of the annual financial statements and management representations letters). In particular, the committee will review:
 - a) AIMS compliance with accounting standards.
 - b) Appropriateness of accounting policies and disclosures, including any significant changes to the accounting policies.
 - c) Areas of significant judgement and financial statement balances that require estimation.
 - d) Significant or unusual transactions.
 - e) Sign off by management in relation to the quality of the financial statements, internal controls and compliance.
 - f) Auditor's judgement about the adequacy of AIMS' accounting policies and the quality of the processes for the preparation of AIMS financial statements, through discussions with the ANAO, and
 - g) Whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures.
- Review the processes in place designed to ensure that financial information included in AIMS' annual report is consistent with the signed financial statements.

- Act as a forum for communication between Council, management, internal auditors and the ANAO.
- The Audit Committee provide a statement to the accountable authority:
 - a) Whether the annual financial statements, in the committee’s view, comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance
 - b) Whether additional entity 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
 - c) In respect of the appropriateness of the entity’s financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

2. Performance reporting

- Review AIMS systems and procedures for assessing and reporting the achievements of AIMS performance. In particular the committee to satisfy itself that:
 - a) AIMS Portfolio Budget Statement (PBS) and corporate plan includes on how AIMS performances will be measured and assessed
 - b) AIMS approach to measuring its performance throughout the financial year against the performance measures included in its PBS and corporate plan is sound and has taken into account guidance provided by the Department of Finance
 - c) AIMS has sound processes in place for the preparation of its annual Performance Statement and the inclusion of the Statement in its annual report
 - d) AIMS proposed Performance Statement is not inconsistent with the financial information, including its financial statements that it proposes to include in its annual report.
- Provide a statement to the accountable authority whether, in their view, the accountable authority’s annual performance statements and performance reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

3. Systems of risk oversight and management

- Review whether management has in place a current and comprehensive enterprise risk management framework and associated procedures for effective identification and management of the entity’s business and financial risks, including fraud.
- Satisfy itself that a sound and effective approach has been followed in managing AIMS major risks including those associated with individual projects, program implementation, and activities.
- Assess the impact of the entity’s enterprise risk management framework on its control environment, and insurance arrangements.
- Review the process of developing and implementing AIMS fraud control arrangements and satisfy itself that the entity has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks.

- Review reports on fraud from management that outline any identified allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in the entity.
- Entity wide assurance map to be commissioned as required.
- Articulation of key roles and responsibilities relating to risk management and adherence to them by officials of the entity.
- The audit committee provide a statement to the accountable authority whether in their view, the accountable authority's system of risk oversight and management as a whole is appropriate (with reference to the Commonwealth Risk Management Policy for NCEs) and any specific areas of concern or suggestions for improvement.

4. System of internal control

Internal control framework

- Review management's approach to maintaining an effective internal control framework; this framework should include controls in relation to functions performed by external parties such as contractors and advisers.
- Review whether management has in place relevant policies and procedures and that these are periodically reviewed and updated.
- Satisfy itself that appropriate processes are in place to assess whether key policies and procedures are complied with.
- Satisfy itself that management periodically assesses the adequacy of AIMS information security arrangements, including complying with AIMS reporting obligations.

Legislative and policy compliance

- Review the effectiveness of systems for monitoring compliance with laws, regulations and associated government policies with which AIMS must comply.
- Determine whether management has appropriately considered legal and compliance risks as part of AIMS enterprise risk management plan.
- Provide advice to the Council regarding the issue of Council's annual Compliance Report.

Internal audit coverage

- Review the proposed internal audit coverage, ensure the coverage takes into account AIMS key risks, and endorse the annual Internal Audit Work Plan and the 3 year ongoing plan.
- Advise Council on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit work plan.
- Coordinate the audit program conducted by internal and other review functions.
- Monitor management's implementation of internal audit recommendations.
- Review all audit reports and provide advice to the Council on significant issues identified in audit reports and recommend action on significant issues raised, including identification and dissemination of good practice.
- Obtain an annual report from the Internal Audit on the overall state of AIMS internal controls.
- Periodically review the performance of internal audit, and report the results to the Council.
- Provide advice to the Council on the appointment of internal auditors.

Business continuity management

- Satisfy itself that a sound approach has been followed in establishing business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

Delegations

- Review whether appropriate policies and associated procedures are in place for the management and exercise of delegations and authorisations.

Ethical and lawful conduct

- Assess whether management 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.

Security Compliance

- Review management's approach to maintaining an effective internal security system (including complying with the Protective Security Policy Framework, if applicable).
- Audit Committee provide a statement to the accountable authority whether the accountable authority's system of internal control is appropriate for the entity with reference to any specific areas of concern or suggestions for improvement.

Other Functions

- Periodically review AIMS governance arrangements or elements of the arrangement as determined by the Council and suggest improvements, where appropriate to the Council.
- Satisfy itself that AIMS has appropriate mechanism in place to review and implement, where appropriate, relevant parliamentary committee reports and external review of AIMS, and recommendations arising from these reports and reviews.

Engagement with the ANAO

The committee will engage with the ANAO, as the AIMS' external auditor, in relation to the ANAO's financial statement and performance audit coverage. In particular the committee will:

- Provide input on planned ANAO financial statement and performance audit coverage
- Monitor management's responses to all ANAO financial statement management letters and performance audit reports, including the implementation of audit recommendations
- Provide advice to the Council on action to be taken on significant issues raised in relevant ANAO reports or better practice guides
- Meet privately with the ANAO at least once per year.

Reporting

The committee will regularly update Council on its activities and make recommendations as appropriate. In addition, at any time a committee member may request a meeting with the Chair of the Council.

The Chair of the committee will report to the next Council meeting following a meeting of the committee on any matters that the committee considers should be brought to the attention of the Council. Such meetings to include copies of the meeting's agenda and minutes (as available). The committee will also report annually on its operations and activities during the year. The report is to include:

- A summary of the work committee performed to discharge its responsibilities during the preceding year:
- A summary of progress in addressing the findings and recommendations made in internal and external audit reports; and
- Details of meetings including the number of meetings held during the relevant period and the number of meetings each member attended.

The committee will at least once annually confirm to the Council that all functions/responsibilities outlined in this charter have been carried out, and comply with any other reporting requirements specified by the Council from time to time.

Administrative arrangements

Meetings

The committee will meet at least four times per year. One or more special meetings may be held to review AIMS annual financial statements and performance statement, or to meet other responsibilities of the committee.

All committee members are expected to attend each meeting, in person or via tele-or-video conference.

The Chair is required to call a meeting if asked to do so by the Council and decide if a meeting is required if requested by another member, internal audit or the ANAO.

The Committee may hold member's only meeting in the absence of staff, internal and external auditors.

Planning – Work Plan

The committee will develop a forward meeting schedule that includes the dates, location, and proposed agenda items for each meeting for the forthcoming year, and that covers all the responsibilities outlined in this charter. The work plan should be updated as required and made available to Council.

Quorum

A quorum will consist of a majority of committee members. The quorum must be in attendance at all times during the meeting.

Secretariat

The CFO will provide secretariat support to the committee. The secretariat will: ensure the agenda for each meeting is approved by the Chair; the agenda and supporting papers are circulated, at least one week before the meeting; and ensure the minutes of the meetings are prepared and maintained. Minutes must be reviewed by the Chair and circulated within two weeks of the meeting to each member and committee observers, as appropriate.

Conflict of Interest

Once each year, members of the committee will provide written declarations, through the Chair, to the Council declaring any material personal interests they may have in relation to their responsibilities. External members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Chair should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each committee meeting, members are required to declare any material personal interests 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 Chair is also responsible for deciding if he/she should excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s). Details of material personal interests declared by the Chair and other members, and actions taken, will be appropriately recorded in the minutes.

Induction

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

Assessment Arrangements

The Chair of the committee, in consultation with the Chair of the Council, will initiate a self-assessment of the performance of the committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by Council) with appropriate input sought from Council members, committee members, senior management, the internal and external auditors and any other stakeholders, as determined by the Chair of the Council.

Review of Charter

The charter should be reviewed and, where necessary, updated each year. This review will include consultation with the Council.

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