



# Audit and Risk Committee Charter

The Audit and Risk Committee ("**Committee**") is established by the Future Fund Board of Guardians ("**Board**") and the accountable authority of the Future Fund Management Agency (being the Chair of the Board) in compliance with the *Public Governance, Performance and Accountability Act 2013* ("**PGPA Act**") and Rules made under that Act.

For the purposes of the PGPA Act and Rules audit committee requirements, the *Future Fund Act 2006* (Cth) ("**Future Fund Act**") provides that the Board and the Future Fund Management Agency ("**FFMA**") (collectively the "**Future Fund**") are to be treated as though they were a single Commonwealth entity<sup>1</sup>. This means that there will be a single audit committee (ie, the Committee) for both the Board and the FFMA.

The Committee reports to the Board. Where actions are required to be undertaken by the Chair of the Board<sup>2</sup>, in their capacity as the accountable authority<sup>2</sup> of the FFMA, the Committee shall make appropriate recommendations to the Chair of the Board provided that such recommendations are in compliance with the Future Fund Act and any other applicable legislation.

## 1. Objective

- 1.1. The objective of the Committee is to provide assurance and assistance to the Board and the accountable authority of the FFMA in respect of the Future Fund's financial reporting, performance reporting, risk oversight and management and system of internal control.
- 1.2. In meeting its objective in relation to the risk management framework, the Committee will review and consider the completeness of key risks documented in the Future Fund's Risk Register, including the residual risk ratings, and approve any material changes to the Risk Register.
- 1.3. The Board will take specific responsibility for the oversight and management of investment risk. Investment risk is defined as market, liquidity, interest rate, credit and foreign currency risk. The Board will set the target asset allocations and approve the appointment of investment managers who undertake investments on its behalf. The Board shall set for the FFMA parameters within which the investment program should operate, including risk measurement and reporting requirements to enable effective management of investment risks. The FFMA monitors the implementation of and compliance with key Board investment policies and reports outcomes to the Board. The Board may from time to time refer risk related matters, including components of investment risk, to the Committee.

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<sup>1</sup> As defined in the PGPA Act.

<sup>2</sup> All references in this Charter to the Chair of the Board shall be taken to include his or her capacity as the accountable authority of the FFMA.

- 1.4. The Committee is not responsible for the executive management of these functions. The Committee will engage with FFMA management in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Board and accountable authority of the FFMA.
- 1.5. The FFMA Operational Risk & Compliance Committee ("**ORCC**") exists to assist the Board and the Committee in the effective management of the risks as defined in the Risk Register. The ORCC will present a periodic report on its activities at each meeting of the Committee.

## **2. Authority**

- 2.1. The Board authorises the Committee, within the scope of its role and responsibilities, to:
  - i) obtain information from FFMA employees and members of the Board, the external auditor and/or their appointed agent, the internal auditors and other external parties (subject to their legal obligations to protect information and confidentiality considerations);
  - ii) request the attendance of any FFMA employee or Board member at Committee meetings; and
  - iii) obtain legal or other professional advice considered necessary to meet its responsibilities at the expense of the Future Fund.

## **3. Structure**

- 3.1. The Committee will consist of such members of the Board (being not less than three, but excluding the Chair of the Board), as determined by the Board.
- 3.2. The Chair of the Board will appoint the Chair of the Committee.

## **4. Roles and Responsibilities**

- 4.1. The Committee is directly responsible and accountable to the Board for the exercise of its responsibilities, and the responsibilities of the Committee may be revised or expanded by the Board from time to time.
- 4.2. The Board and other Board Committees may from time to time refer risk related matters, including investment risk, to the Committee for consideration. The Committee will report to the Board on these referred matters as required.

- 4.3. The Committee is responsible for reviewing the appropriateness of the Future Fund's:
- i) Financial Reporting:
    - a) review the financial statements and provide advice to the Board (including whether appropriate action has been taken in response to audit recommendations and adjustments), and **recommend** their adoption by the Board;
    - b) satisfy itself that the financial statements are supported by appropriate FFMA signoff in relation to the financial statements and internal controls related to financial reporting and compliance.
  - ii) Performance Reporting:
    - a) reviewing the systems and procedures for measuring and reporting on the Future Fund's performance (ie performance against the target returns for each fund outlined in the Investment Mandate Directions, issued by the responsible Ministers);
    - b) reviewing the annual performance statement and provide advice to the Board and **recommending** its inclusion in the annual report.
  - iii) System of Risk Oversight and Management:
    - a) assess whether the FFMA has in place a current and sound risk management framework, and associated procedures for effective identification and management of the Future Fund's risks, including fraud and approve the Risk Management Policy and any material changes to it;
    - b) review and consider the completeness of key risks documented in the Future Fund's Risk Register, including the residual risk rating and approve any material changes to the Risk Register;
    - c) monitor the adequacy of the insurance cover for the Board and FFMA;
    - d) assess whether a sound and effective approach has been followed in establishing the Future Fund's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically; and review and **approve** the Future Fund's Fraud and Corruption Control Plan and satisfying itself the Future Fund has appropriate processes and systems in place to capture and effectively investigate instances of fraud and corruption.
  - iv) System of Internal Control:
    - a) assess whether FFMA has in place comprehensive and relevant policies and procedures designed to maintain an effective internal control framework, including over external parties such as contractors and advisors;
    - b) assess whether appropriate policies and procedures are in place for the management and exercise of delegations;
    - c) determine whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with; and

- d) assess whether the FFMA has taken steps to embed a culture that promotes the proper use of Commonwealth resources and is committed to ethical and lawful behaviour.
- v) Compliance Framework:
  - a) determine whether the FFMA has appropriately considered compliance risks as part of the Future Fund's risk assessment and management arrangements;
  - b) assess the effectiveness of the system for monitoring the Future Fund's compliance with relevant laws, regulations and associated government policies that the Future Fund must comply with; and
  - c) provide advice to the accountable authority of the FFMA regarding its compliance with PGPA Act requirements.

## **5. Engagement with the ANAO**

- 5.1. In undertaking its role, the Committee will engage with the ANAO, as the Future Fund's external auditor and:
- i) act as a forum for communication between the Board, executives of the FFMA and the external auditor;
  - ii) question the external auditor or any appointed agent (at least annually) in the absence of executives of the FFMA and the internal auditors on any matter it deems appropriate, including the role of and performance of the internal auditor and executives of the FFMA;
  - iii) provide input and feedback on the financial statement and performance audit coverage proposed by the external auditor and provide feedback on the audit services provided;
  - iv) review all external audit plans and reports in respect of planned or completed audits and monitor the FFMA's implementation of external audit recommendations; and
  - v) provide advice to the Board on action taken on significant issues raised in relevant external audit reports and better practice guides.

## 6. Engagement with the internal auditor

6.1. In undertaking its role, the Committee will engage with the internal auditor and:

- i) provide advice to the Board on the appointment of an internal auditor;
- ii) question the internal auditor (at least annually) in the absence of executives of the FFMA and the external auditors, on any matter it deems appropriate, including the performance of executives of the FFMA and external audit and on the interaction of internal audit with the external auditor or any appointed agent to ensure efficient audit coverage of the identified risks;
- iii) act as a forum for communication between the Board, executives of the FFMA and the internal auditor;
- iv) **approve** the internal auditor's coverage and annual work plan, ensuring the plan is based on the Future Fund's risk management framework;
- v) review all internal audit reports and provide advice to the Board on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice; and
- vi) monitor the FFMA's implementation of internal audit recommendations.

## 7. Reporting

7.1. On an annual basis, the Committee will provide a statement to the Board on whether the:

- i) Financial reporting framework;
- ii) Performance reporting framework;
- iii) System of risk oversight and management; and
- iv) System of internal control

are appropriate for the Future Fund. The Committee will provide these statements:

- i) for (i) and (ii) above when it undertakes its review of the financial statements and annual performance report; and
- ii) for (iii) and (iv) above when it undertakes its review of the Future Fund Risk Register.

7.2. The Committee will regularly, but at least once a year, report to the Board on its operation and activities during the year. Where requested by the Board, the Committee report should include:

- i) a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- ii) a summary of the Future Fund's progress in addressing the findings and recommendations made in internal and external audit reports;

- iii) an overall assessment of the Future Fund's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the organisation.
  - iv) a copy of the relevant certificates, representations and assurances provided by the FFMA in relation to the control environment of the Future Fund.
- 7.3. The Committee may, at any time, report to the Board any other matter it deems of sufficient importance to do so.

## **8. Administrative Arrangements**

### **8.1. Meetings**

- i) The Committee will meet at least four times per year. A special meeting may be held to review the Future Fund's annual financial statements.
- ii) A forward meeting plan, including meeting dates and agenda items, will be prepared by the FFMA and agreed by the Chair. The forward meeting plan will cover all of the Committee's responsibilities as detailed in this charter.

### **8.2. Attendance at Meetings and Quorums**

- i) A quorum will consist of a majority of Committee members. Meetings can be held in person, by telephone or by video conference.
- ii) The Chief Risk Officer and Head of Finance will be invited to attend each meeting, unless requested not to do so by the Chair of the Committee. The Committee may also request the Chief Executive Officer or other FFMA employees attend Committee meetings or participate for certain agenda items.
- iii) Representatives from the external auditor and internal auditor will be invited to attend each meeting, unless requested not to do so by the Chair of the Committee.
- iv) The Chair of the Board may attend Committee meetings as an observer.

### **8.3. Secretariat**

- i) The Board Secretariat will provide secretariat support to the Committee. The Board Secretariat, in conjunction with the FFMA's Risk team, will ensure the agenda for each meeting and supporting papers are circulated, after discussion with the Chair, at least three working days before the meeting. The draft minutes of the meetings are to be prepared and must be approved as soon as practicable post the meeting by the Chair. The minutes are to be tabled at the next practicable Board meeting following the Committee meeting.

### **8.4. Conflicts of interest**

- i) Committee members in their capacity as Board members provide written declarations to the Board stating whether they have any conflicts of interest. This declaration includes any conflict of interest that would preclude them from being members of the Committee.

- ii) Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.
- iii) Where members or observers at Committee meetings are deemed to have a real, or perceived, conflict of interest it may be appropriate that they are excused from Committee deliberations on the issue where a conflict of interest exists.

#### 8.5. Induction

- i) New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

#### 8.6. Assessment arrangements

- i) The Chair of the Committee, in consultation with the Board, will initiate a review 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 the Chair of the Board) with appropriate input sought from the internal and external auditors, FFMA executives and any other relevant stakeholders, as determined by the Chair of the Board.

#### 8.7. Review of Charter

- i) The Committee will review this charter periodically and as required. Any substantive changes to the charter will be recommended by the Committee for formal approval by the Board and the Chair of the Board (acting in his or her capacity as accountable authority).