



ASIC
Australian Securities &
Investments Commission

Terms of Reference

AUDIT AND RISK COMMITTEE

22 February 2023

Purpose

The Chair of the Australian Securities and Investments Commission (the ASIC Chair) has established an Audit and Risk Committee (the Committee) in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and in accordance with section 17 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) *Audit Committees for Commonwealth Entities*.

Document Ownership and Control

The Senior Executive Leader (SEL) Internal Audit is responsible for the maintenance of the Audit and Risk Committee's Terms of Reference.



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1. Role of the Audit and Risk Committee

- 1.1. The role of the Committee is to provide independent assurance to the ASIC Chair on the Australian Securities and Investments Commission's (ASIC's) financial and performance reporting responsibilities, risk oversight and management, and system of internal control.
- 1.2. 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 the ASIC Chair.
- 1.3. Members of the Committee are expected to understand and observe the legal requirements of the PGPA Act and Rules. Members are also expected to:
 - 1.3.1. act in the best interests of ASIC as a whole
 - 1.3.2. apply good analytical skills, objectivity and good judgment
 - 1.3.3. express opinions constructively and openly, raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry; and
 - 1.3.4. contribute the time required to meet their responsibilities.
- 1.4. Committee members must not use or disclose information obtained by the Committee except in meeting the Committee's responsibilities, or unless expressly agreed by the ASIC Chair.
- 1.5. The Committee will be supported by ASIC's SEL Internal Audit, who will be responsible for delivering an internal audit program in line with the Committee's guidance and subject to approval by the ASIC Commission. The Committee will exercise a governance role in relation to ASIC's Internal Audit function.

2. Authority

- 2.1. The ASIC Chair authorises the Committee, in accordance with its role and responsibilities, to:
 - 2.1.1. obtain any information it requires from any official or external party (subject to any legal obligation to protect information). Information obtained must be handled in accordance with protective security protocols;
 - 2.1.2. discuss any matters with the Australian National Audit Office (ANAO), or other external parties (subject to confidentiality considerations);



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- 2.1.3. request the attendance of any official, including the ASIC Chair, at Committee meetings; and
- 2.1.4. obtain legal or other professional advice, as considered necessary to fulfil its role, at ASIC's expense, subject to compliance with PGPA and other legislative requirements.

3. Composition and tenure

- 3.1. The Committee comprises at least three and not more than six members, appointed by the ASIC Chair.
- 3.2. No member of the audit committee will be an ASIC official, and a majority of the members will not be officials of any Commonwealth entity.
- 3.3. The ASIC Chair will appoint the Chair and Deputy Chair of the Committee.
- 3.4. The ASIC Chair, Commissioners, Executive Directors, Chief Operating Officer, Chief Financial Officer, SEL Internal Audit, Chief Risk Officer, or other management representatives may attend meetings as advisers or observers, as determined by the Chair, but will not be members of the Committee.
- 3.5. A representative of the ANAO will be invited to attend meetings of the Committee, as an observer.
- 3.6. Committee members, taken collectively, will have a broad range of skills and experience relevant to the operations of ASIC. 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.
- 3.7. Committee members will be appointed for an initial period determined by the ASIC Chair. Members may be re-appointed after a formal review of their performance, for further periods as specified by the ASIC Chair, however the cumulative term of an individual Committee member shall generally not exceed six years.

4. Financial Reporting

- 4.1. The Committee will review and provide advice to the accountable authority on ASIC's:
 - 4.1.1. annual financial statements;
 - 4.1.2. processes and systems for preparing financial reporting information;
 - 4.1.3. financial record keeping; and



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- 4.1.4. processes in place to allow ASIC to stay informed throughout the year of any changes or additional requirements in relation to the financial reporting.
- 4.2. The Committee will provide a statement to the accountable authority:
 - 4.2.1. on whether ASIC's annual financial statements, in the Committee's view, comply with the PGPA Act, the PGPA Rules, the Australian Accounting Standards and supporting guidance; and
 - 4.2.2. in respect of the appropriateness of ASIC's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

5. Performance Reporting

- 5.1. The Committee will review and provide advice to the accountable authority on ASIC's:
 - 5.1.1. Systems and procedures for assessing, monitoring and reporting on achievement of ASIC's performance. In particular, the committee will assess whether:
 - 5.1.1.1. ASIC's Portfolio Budget Statements and corporate plan contain appropriate details of how ASIC's performance will be measured and assessed;
 - 5.1.1.2. ASIC'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. This may include reviewing, over time, particular elements of the performance measures; and
 - 5.1.1.3. ASIC has appropriate systems and processes for preparation of its annual performance statement and inclusion of the statement in its annual report.
- 5.2. The Committee will review ASIC's annual performance statements and provide advice to the accountable authority on their appropriateness.
- 5.3. The Committee will provide a statement to the accountable authority on whether, in their view, ASIC's annual performance statements and performance reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

6. Systems of risk oversight and management

- 6.1. The Committee will review and provide advice to the accountable authority on ASIC's:



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- 6.1.1. enterprise risk management policy framework and the necessary internal controls for the effective identification and management of ASIC's risks, in keeping with the Commonwealth Risk Management Policy;
 - 6.1.2. approach to managing and reporting on key risks, including articulation of key roles and responsibilities relating to risk management and actions taken by management to control and mitigate risks outside of appetite;
 - 6.1.3. compliance management framework, including whether management has adequately considered compliance risks as part of business operations, and that the processes and systems for monitoring compliance with ASIC's statutory, regulatory and policy compliance obligations are effective; and
 - 6.1.4. process of developing and implementing fraud and anti-corruption management framework and satisfy itself that ASIC has adequate processes for detecting, capturing, and effectively responding to fraud and corruption risks in keeping with the Commonwealth Fraud Control Policy.
- 6.2. The Committee will meet with the Chief Risk Officer without management present as required.
 - 6.3. The Committee will provide a statement to the accountable authority on whether in their view, the ASIC's system of risk oversight and management as a whole is appropriate with reference to the Commonwealth Risk Management Policy and the Commonwealth Fraud Control Policy, and any specific areas of concern or suggestions for improvement.

7. System of internal control

- 7.1. The Committee will review and provide advice to the accountable authority on ASIC's approach to maintaining an effective internal control framework, including that key policies and procedures are in place and there are appropriate monitoring in place to assess whether they are complied with.

Governance framework:

- 7.1.1. review the effectiveness of ASIC's governance framework in overseeing and supporting the functioning, regulatory integrity and delivery of ASIC's statutory objectives.

Security compliance:

- 7.1.2. review management's approach to maintaining an effective internal security system – including complying with the Protective Security Policy Framework, including information security.



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Internal audit coverage:

- 7.1.3. review the proposed internal audit coverage, ensuring the coverage takes into account ASIC's key risks, and recommending approval of the Annual Internal Audit Plan by the Commission; and
 - 7.1.4. review all internal audit reports, providing advice to the accountable authority on major concerns identified in those internal audit reports and recommending action on significant issues raised, including identification and dissemination of information on good practice.
- 7.2. The Committee will provide advice to the accountable authority on whether ASIC's system of internal control is appropriate, with reference to any specific areas of concern or suggestions for improvement.

8. Other functions

- 8.1. The Committee may fulfil other functions as follows:

Business continuity management:

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

Ethical and lawful behaviour:

- 8.1.2. assess whether the accountable authority 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.

Statutory and parliamentary oversight reports, external reviews and assurance:

- 8.1.3. satisfy itself that ASIC has appropriate mechanisms in place to review relevant reports from the Financial Regulator Assessment Authority, Parliamentary committees, and other external reviews of ASIC, and implement, where appropriate, any resultant recommendations.

9. Meeting Proceedings and Administration

- 9.1. Annual Work Plan

- 9.1.1. The Committee will prepare a work plan that outlines the activities to be undertaken to achieve the Committee's functions.

- 9.2. Induction



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

9.3. Meetings

9.3.1. The Committee will meet at least six times per year. One or more special meetings may be held to review ASIC's annual financial statements and performance statements or to meet other specific responsibilities of the Committee;

9.3.2. The Chair is required to call a meeting if asked to do so by the ASIC Chair and decide if a meeting is required if requested by another member, IA or the ANAO;

9.3.3. A quorum will consist of a majority of committee members. In the event that a quorum cannot be achieved, the meeting may proceed as scheduled, however any decisions proposed during the meeting must be ratified by the absent member(s) in a number and ratio that replicates the quorum as soon as possible after the meeting; and

9.3.4. The Chair will prepare a briefing note to the ASIC Chair after each meeting, detailing matters considered, key outcomes and advice to Commission / accountable authority.

9.4. Secretariat

9.4.1. The ASIC Chair in consultation with the Committee, will appoint a person to 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 5 days before the meeting (except where specifically agreed otherwise, e.g. a special meeting); and ensure the minutes of the meetings are prepared and maintained. Minutes will be reviewed by the Chair and circulated in a timely manner to each member and committee advisers and observers, as appropriate.

10. Conflicts of interest

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

10.2. At the beginning of each committee meeting, members are required to declare any material personal interests that may apply to specific matters



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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, in consultation with the ASIC Chair where appropriate, 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.

11. Assessment arrangements

- 11.1. The Chair, in consultation with the ASIC Chair or their delegate, will undertake a review of the performance of the committee at least once every two years. The review may be conducted on a self-assessment basis (unless otherwise determined by the ASIC Chair) with appropriate input sought from the ASIC Chair, Committee members, senior management, IA, the ANAO, and any other relevant stakeholders, as determined by the ASIC Chair or their delegate.
- 11.2. The Chair will provide advice to the ASIC Chair on a member's performance where an extension of the member's tenure is being considered.

12. Reporting

- 12.1. The Committee will, as often as necessary, and at least once a year, report to the ASIC Chair on its operation and activities during the year and confirm to the ASIC Chair that all functions outlined in the Terms of Reference have been satisfactorily addressed.
- 12.2. The Committee may, at any time, report to the ASIC Chair any other matter it deems of sufficient importance to do so. In addition, at any time, an individual committee member may request a meeting with the ASIC Chair.

13. Review of Terms of Reference

- 13.1. At least once every two years the Committee will review the Terms of Reference. This review will include consultation with the ASIC Commission.
- 13.2. Any substantive changes to the Terms of Reference will be recommended by the Committee and formally approved by the ASIC Chair.