



Audit and Risk Committee Charter

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Policy owner	ASIC Chair
Approved by	ASIC Chair
Responsible officer	Chief Internal Auditor
Principal audiences	Audit and Risk Committee Executive Risk Committee Commission Members



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1. Background

- 1.1 The Chair of the Australian Securities and Investments Commission (the ASIC Chair), as the accountable authority of a Commonwealth entity, 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).
- 1.2 Upon establishment of the Committee and in accordance with section 45(2) of the PGPA Act and subsection 17(1) of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) the accountable authority must, by written charter, determine the functions of the Committee that have been established under section 45 of the PGPA Act.

2. Purpose

- 2.1 This document is ASIC's written charter (the Charter) describing the Committee's operations.

3. Role

The Committee is directly accountable to the ASIC Chair for the performance of its functions and the Committee is to:

- 3.1 provide independent advice to the ASIC Chair regarding the appropriateness of ASIC's financial and performance reporting, system of risk oversight and management, and system of internal control. These are mandatory requirements consistent with subsection 17(2) of the PGPA Rule.
- 3.2 have no executive powers in relation to the way ASIC undertakes the above functions or any other business.
- 3.3 acts independently of management and in an objective and impartial manner, free from conflicts of interest, inherent bias or undue external influence. The Committee will engage with management in a constructive and professional manner in discharging its obligations.
- 3.4 expected to understand and observe the legal requirements of the PGPA Act and Rules and:
 - 3.4.1. act in the best interests of ASIC.
 - 3.4.2. apply good analytical skills, objectivity and good judgment.
 - 3.4.3. express opinions constructively and openly, raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry.
 - 3.4.4. contribute the time required to meet their responsibilities.
- 3.5 be supported by the Chief Internal Auditor, who will be responsible for delivering an internal audit program which has been endorsed by the Committee (after socialisation with the Executive Committee (ExCo) and the Commission) consistent and approved by the ASIC Chair as the accountable authority. The



Committee will exercise a governance role in relation to ASIC's Internal Audit function.

4. Authority

4.1 The ASIC Chair authorises the Committee, within the scope of its functions and responsibilities to:

- 4.1.1. 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.
- 4.1.2. discuss any matters with the Australian National Audit Office (ANAO), or other external parties (subject to confidentiality considerations).
- 4.1.3. request the attendance of any official, including the ASIC Chair, at Committee meetings.
- 4.1.4. obtain legal or other professional advice, as considered necessary to fulfil its role. If the Committee wishes to engage external parties to provide additional advice, the CIA would ensure that ASIC's procurement practices are followed (including the rationale for seeking the advice). The CIA will also inform the CEO and the ASIC Chair of the Committee's intentions in this regard.

4.2 The Committee has no other powers apart from those authorised by the ASIC Chair. The Committee 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.

5. Membership

5.1 Committee Members

- 5.1.1. The Committee comprises at least three and not more than six members, appointed by the ASIC Chair.
- 5.1.2. No member will be an ASIC official, and a majority of the members will not be officials of any Commonwealth entity.
- 5.1.3. The ASIC Chair will appoint the Chair and Deputy Chair of the Committee.
- 5.1.4. The Committee Deputy Chair will act as chair in the absence of the Committee Chair.
- 5.1.5. The ASIC Chair, Commissioners, Executive Directors, Chief Executive Officer, Chief Internal Auditor, Chief Financial Officer, Chief Risk Officer, Chief Information Officer, Chief Technology Officer, Chief Communications Officer, Chief People Officer, the ANAO or other management representatives may attend meetings as advisers or



observers as determined by the Committee Chair but will not be members of the Committee.

- 5.1.6. Collectively, membership must consist of persons with appropriate qualifications, experience and knowledge and will have a broad range of skills relevant to the operations of ASIC. At least one member will have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public-sector environment.

5.2 Term of Committee Members

- 5.2.1. 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.
- 5.2.2. Members should be appointed for no more than 3 years, with an option to extend as approved by the ASIC Chair, however the cumulative term of an individual member shall not exceed six years.
- 5.2.3. The ASIC Chair ultimately decides the terms of Committee members.

5.3 Role of the Committee Chair

The Committee Chair is responsible for:

- 5.3.1. ensuring Committee members remain focused on achieving outcomes.
- 5.3.2. setting the agenda for the matters to be considered by the Committee, with reference to the annual work plan (which is endorsed and monitored by the Committee as a group).
- 5.3.3. ensuring that the information provided to the Committee is relevant and sufficient to keep the Committee appropriately informed.
- 5.3.4. facilitating open and constructive discussion amongst Committee members and encouraging Committee members' contributions in deliberations.

6. Functions

6.1 Financial reporting [PGPA Rule 17(2)(a)]

The Committee is required to review the appropriateness of ASIC's financial reporting by reviewing compliance with the mandatory requirements of the PGPA Act, PGPA Rule and the Accounting Standards and by considering the advice in any supporting guidance as issued by the Commonwealth. The Committee will review the appropriateness of ASIC's:

- 6.1.1. early close and annual financial statements.
- 6.1.2. information (other than the financial statements) requested by the Department of Finance in preparing the Australian Government's



consolidated financial statements including the supplementary reporting pack.

- 6.1.3. processes and systems for preparing financial reporting information and for keeping financial records.
- 6.1.4. processes in place to allow ASIC to stay informed throughout the year of any changes or additional requirements in relation to the financial reporting.
- 6.1.5. action in response to any issues raised by the ANAO, including financial statements adjustments or revised disclosures.

The Committee (through the Committee Chair) will provide independent advice to the ASIC Chair as to whether:

- 6.1.6. the annual financial statements and related management representations comply with the PGPA Act, the PGPA Rules, the Australian Accounting Standards and supporting guidance, as appropriate to ASIC.
- 6.1.7. additional information (other than the financial statements) requested by the Department of Finance in preparing the Australian Government's consolidated financial statements including the supplementary reporting pack, as appropriate to ASIC.
- 6.1.8. ASIC's financial reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

6.2 Performance reporting [PGPA Rule 17(2)(b)]

The Committee will review and provide advice to the accountable authority on ASIC's systems and procedures for assessing, monitoring and reporting on achievement of ASIC's performance. In particular, the Committee will assess whether ASIC's:

- 6.2.1. Portfolio Budget Statements and corporate plan contain appropriate details of how ASIC's performance will be measured and assessed.
- 6.2.2. 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 information.
- 6.2.3. systems and processes for preparation of its annual performance statement and inclusion of the statement in its annual report are appropriate.

The Committee will:

- 6.2.4. review ASIC's annual performance statements and provide advice to the accountable authority on their appropriateness.



- 6.2.5. provide a statement to the ASIC Chair on whether 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.

6.3 System of risk oversight and management [PGPA Rule 17(2)(c)]

The Committee will review and provide advice to the ASIC Chair on the appropriateness of ASIC's:

- 6.3.1. enterprise risk management policy framework and the effective identification and management of ASIC's risks, including the periodic review of control effectiveness in keeping with the Commonwealth Risk Management Policy.
- 6.3.2. risk management capability and 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.
- 6.3.3. 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.
- 6.3.4. governance arrangements, including (but not necessarily limited to) relevant policies and procedures, such as accountable authority instructions, delegations, and business continuity arrangements.
- 6.3.5. 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 and Corruption Policy.

The Committee will:

- 6.3.6. provide a statement to the ASIC Chair, at least annually, as to whether ASIC's system of risk oversight and management as a whole is appropriate and complies with the PGPA Act, the PGPA Rule and supporting guidance as well as any specific areas of concern is appropriate.

6.4 System of internal control [PGPA Rule 17(2)(d)]

The Committee will review and provide advice to the ASIC Chair on ASIC's approach to maintaining an effective internal control framework, including that appropriate processes are in place to assess whether they are complied with. The Committee will review and provide advice on:



- 6.4.1. the appropriateness and effectiveness of systems for monitoring the entity's compliance with key laws, regulations and associated government policies with which ASIC must comply.
- 6.4.2. whether management has adequately considered legal and compliance risks as part of the entity's enterprise risk management framework, fraud and corruption control framework and planning.
- 6.4.3. management's approach to maintaining an effective internal security system – including complying with the Protective Security Policy Framework.
- 6.4.4. all internal audit reports and any major concerns identified in those internal audit reports and recommending action on significant issues raised, including identification and dissemination of information on good practice.
- 6.4.5. The Committee will:
 - i. provide a statement to the ASIC Chair, at least annually, as to whether ASIC's system of internal control is appropriate and complies with the PGPA Act, the PGPA Rule and supporting guidance as well as any specific areas of concern is appropriate.

7. Engagement with auditors

7.1 Internal Auditors

- 7.1.1. ASIC's internal audit program provides independent advice and assurance in relation to evaluating and improving the effectiveness of controls, risk management and governance processes.
- 7.1.2. The Committee will:
 - i. suggest topics; review the proposed internal audit coverage in the annual internal audit plan and endorse updates to the 3 Year Strategic Internal Audit Plan (SIAP) for approval by the ASIC Chair.
 - ii. review all internal audit reports, providing advice to the ASIC Chair on significant issues identified.
 - iii. monitor management's responses to all internal audit reports, including the implementation of audit recommendations.
 - iv. invite a senior executive of the engaged internal audit service provider(s) to attend Committee meetings as an observer, as appropriate.
 - v. meet privately with the Chief Internal Auditor at least once a year or as required.



7.2 Australian National Audit Office

7.2.1. The ANAO is ASIC's external auditor. In relation to the ANAO's audits of ASIC, the Committee will:

- i. consider planned ANAO financial, performance and performance statement audit coverage (as applicable).
- ii. monitor management's responses to all ANAO financial statement management letters, performance audit reports and performance statement audit reports (as applicable), including the implementation of audit recommendations.
- iii. provide advice to the ASIC Chair on action to be taken on significant issues raised in relevant ANAO reports.
- iv. invite a representative of the ANAO to attend Committee meetings as an observer or presenter, as appropriate.
- v. meet privately with the ANAO, as appropriate.

8. Annual report

8.1 Pursuant to subsection 17AG(2A) of the PGPA Rule, the following details of the Committee must be included in ASIC's annual report:

- 8.1.1. the name, qualification, knowledge, skills or experience of each member during the reporting period.
- 8.1.2. information about each member's attendance at meetings during the reporting period (in comparison to the total number of meetings for the reporting period).
- 8.1.3. the remuneration of each member.

8.2 ASIC's annual report must also include a hyperlink to this Charter.

9. Administrative arrangements

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

- 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 Committee 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, the Chief Internal Auditor or the ANAO.
- 9.3.3. A quorum will consist of a majority of members. If 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.

9.4 The Committee Chair will prepare a briefing note to the ASIC Chair after each meeting, detailing matters considered, key outcomes and advice.

9.5 **Secretariat**

- 9.5.1. The ASIC Chair in consultation with the Committee, will appoint a person to provide secretariat support to the Committee. The secretariat will:
- i. ensure the agenda for each meeting is approved by the Committee Chair.
 - ii. the agenda and supporting papers are circulated 7 calendar days before each meeting (unless agreed otherwise).
 - iii. ensure the minutes of the meetings are prepared and maintained.
 - iv. circularise meeting minutes to the Committee for review and feedback in a timely manner upon which the reviewed minutes will be:
 - Sent to Commission and the CEO.
 - Included for ratification and signing at the next meeting.
- 9.5.2. Meeting minutes will be reviewed by the Committee Chair and circulated in a timely manner to each Committee member and Committee advisers and observers, as appropriate.

10. **Conflicts of interest**

- 10.1 Members, advisors and observers are required to declare whether they have any direct or indirect personal relationships, affiliations or associations which may give rise to any actual, potential or perceived conflict of interest in relation to their work with the Committee. Although members are required to complete annual declarations, it is expected that members will keep these declarations current as arrangements change. Members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Committee 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 Conflicts of interest are required to be declared at the beginning of each meeting. Where required by the Committee Chair, the member will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s). The Committee 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 Committee Chair and other members, and actions taken, will be appropriately recorded in the minutes.

11. Assessment of the Committee's performance

- 11.1 The Committee Chair, in consultation with the ASIC Chair, will undertake a review of the Committee's performance against the role and functions in the Charter, at least once every two years.

12. Review of the Charter

- 12.1 The Committee will review the Committee and Internal Audit Charters annually or when there are any material changes to the Committee's or ASIC's operations. Any substantive changes to the Charters will be recommended by the Committee and formally approved by the ASIC Chair.