

## Audit and Risk Committee Charter

### Objectives

The objectives of the Board Audit and Risk Committee are to assist the Airservices Australia Board (**Board**) to discharge its responsibilities by:

- assisting and providing assurance to the Board regarding:
  - the appropriateness of Airservices financial reporting;
  - the appropriateness of Airservices performance reporting;
  - ensuring an appropriate system of risk oversight and management is maintained and is operating effectively; and
  - ensuring an appropriate system of internal control is maintained and is operating effectively;
  - assisting Airservices and individual Board Members to understand and comply with all relevant legislative obligations (including obligations under the *Air Services Act 1995 and the Public Governance, Performance and Accountability Act 2013*) and other applicable policies of the Australian Government; and
- providing a forum for communication between Board Members, senior managers and Airservices internal and external auditors.

### Membership

The Board will appoint an independent non-executive Board Member to be Committee Chair and at least three other independent non-executive Board Members to be members of the Committee.

Committee members will be appointed for a fixed term after which they will be eligible for extension or reappointment, after a formal review of their performance.

The Committee members taken collectively will have a broad range of skills and experience relevant to the operations of Airservices. An external advisor may be engaged to provide financial advice to the Committee if required.

Committee members are required to:

- understand and observe legislative requirements under the *Air Services Act 1995*, the *Public Governance, Performance and Accountability Act 2013* and the *Public Governance, Performance and Accountability Rule 2014*;
- act in Airservices' best interests;
- possess appropriate qualifications, knowledge, skills and experience;
- apply appropriate analytical skills, objectivity and judgement; and
- express opinions constructively and openly, raising issues that relate to the Committee's responsibilities and pursuing independent lines of enquiry.

Other Board Members are entitled to attend Committee meetings.

The Board Chair, the Chief Executive Officer and the Chief Financial Officer are not permitted to be Committee members<sup>1</sup> but may attend meetings, although they may be asked to leave at any time. The Chief Auditor and other Executive General Managers will have standing invitations for their respective areas of accountability, however they may also be asked to leave at any time.

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<sup>1</sup> Section 17(5), *Public Governance, Performance and Accountability Rule 2014*

The Board Secretary is the secretary of the Committee.

## Meetings

The Committee will meet at least four times each year. A special meeting of the Committee may be convened by a member of the Committee at any time by written request to the Board Secretary, stating the reason for calling the special meeting. Special meetings will be held within twenty-one days of receipt of such a request, with not less than seven days' notice being provided to all Committee members (except where all Committee members consent to a shorter notice period).

The quorum for any meeting of the Committee is two members.

The agenda for Committee meetings will be determined by the Committee Chair. Minutes will be prepared for each Committee meeting and will be made available to the Board. The Committee will prepare an annual program of its activities.

The external auditors have standing invitations to the meetings of the Committee for audit related matters but may be asked to leave at any time.

The Committee will meet at least annually with the external and internal auditors without management in attendance.

## Responsibilities

To assist the Board, the Committee will:

<b>Risk management</b>
<ul style="list-style-type: none"><li>• Evaluate the effectiveness of all internal controls and the risk management framework, including financial and business risk;</li></ul>
<ul style="list-style-type: none"><li>• Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;</li></ul>
<ul style="list-style-type: none"><li>• Conduct a review of the corporate risk register on a six monthly basis to ensure all significant corporate risks are included, and on a regular basis, review management's progress on implementing risk mitigation plans;</li></ul>
<ul style="list-style-type: none"><li>• Review the adequacy of Airservices insurance arrangements;</li></ul>
<ul style="list-style-type: none"><li>• Review Airservices business continuity arrangements and consider the risks when reviewing whether management has in place a current and comprehensive enterprise risk management framework and associated procedures for effective identification and management of Airservices' business and financial risks;</li></ul>
<ul style="list-style-type: none"><li>• Review the process of developing and implementing Airservices' fraud control arrangements ensure that appropriate processes and systems are in place to detect, capture, report and effectively respond to fraud-related information;</li></ul>
<ul style="list-style-type: none"><li>• Review the extent to which the audit plan can be relied upon to detect weaknesses in internal controls relating to fraud and security;</li></ul>
<ul style="list-style-type: none"><li>• Review reports on the status of outstanding legal matters and matters under investigation including those related to corruption, fraud and serious misconduct;</li></ul>
<ul style="list-style-type: none"><li>• Review whether appropriate policies and procedures are in place for the management and exercise of delegations;</li></ul>
<ul style="list-style-type: none"><li>• Assess the impact of Airservices' Risk Management Framework on the control environment;</li></ul>

<ul style="list-style-type: none"> <li>• Review significant or unusual financial transactions, including large or complex procurements and transactions;</li> </ul>
<ul style="list-style-type: none"> <li>• Review key parameters and targets for corporate planning;</li> </ul>
<ul style="list-style-type: none"> <li>• Review management estimates, budgets and forecasts;</li> </ul>
<ul style="list-style-type: none"> <li>• Review service pricing strategies;</li> </ul>
<ul style="list-style-type: none"> <li>• Receive periodical reports from management regarding credit, treasury liquidity and foreign exchange risks and assess their alignment with Airservices financial risk appetite; and</li> </ul>
<ul style="list-style-type: none"> <li>• Oversee development of trading credit and treasury policies.</li> </ul>
<b>External accountability</b>
<ul style="list-style-type: none"> <li>• 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 signing by the Chair of the Board;</li> </ul>
<ul style="list-style-type: none"> <li>• Satisfy itself that recommendations for the payment of dividends to the Government will not impact on the operations of Airservices and that a reasonable level of reserves are maintained to support future infrastructure requirements;</li> </ul>
<ul style="list-style-type: none"> <li>• Satisfy itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal controls;</li> </ul>
<ul style="list-style-type: none"> <li>• Review the processes in place designed to ensure that financial information included in Airservices' annual report is consistent with the signed financial statements;</li> </ul>
<ul style="list-style-type: none"> <li>• Review the adequacy of governance arrangements;</li> </ul>
<ul style="list-style-type: none"> <li>• Review the adequacy of controls that are designed to ensure legislative compliance;</li> </ul>
<ul style="list-style-type: none"> <li>• Satisfy itself that Airservices has appropriate mechanisms in place to review and implement, where appropriate, relevant Parliamentary Committee reports and external reviews of Airservices, and recommendations arising from these reports and reviews;</li> </ul>
<ul style="list-style-type: none"> <li>• Satisfy itself that Airservices has an appropriate performance reporting framework that meets government policy objectives and requirements and is linked to Airservices' objectives and outcomes; and</li> </ul>
<ul style="list-style-type: none"> <li>• Review the selection of key performance indicators, review the annual performance statement and the processes in place to ensure that necessary performance information is collected and presented in the required format.</li> </ul>
<b>Legislative compliance</b>
<ul style="list-style-type: none"> <li>• Determine whether management has appropriately considered legal and compliance risks as part of Airservices risk assessment and management arrangements; and</li> </ul>
<ul style="list-style-type: none"> <li>• Review the effectiveness of the system for monitoring Airservices compliance with relevant laws, international conventions, regulations and associated Government policies.</li> </ul>
<b>Internal control</b>
<ul style="list-style-type: none"> <li>• Review whether management has in place relevant policies and procedures, including Management Instructions, and that these are periodically reviewed and updated;</li> </ul>
<ul style="list-style-type: none"> <li>• Determine whether appropriate processes are in place to assess whether key policies and procedures are being complied with;</li> </ul>

<ul style="list-style-type: none"> <li>Periodically review Airservices' governance arrangements as determined by the Board and suggesting improvements, where appropriate, to the Board;</li> </ul>
<ul style="list-style-type: none"> <li>Consider how management identifies any required changes to the design or implementation of key internal controls; and</li> </ul>
<ul style="list-style-type: none"> <li>Assess whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.</li> </ul>
<b>Internal audit</b>
<ul style="list-style-type: none"> <li>Act as a forum for communication between the Board, senior management and internal audit;</li> </ul>
<ul style="list-style-type: none"> <li>Review the internal audit coverage and annual work plan, ensure the plan is based on Airservices' risk management plan, and recommend approval of the plan by the Board;</li> </ul>
<ul style="list-style-type: none"> <li>Advise the Board on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan;</li> </ul>
<ul style="list-style-type: none"> <li>Review audit programs conducted by internal and external audit;</li> </ul>
<ul style="list-style-type: none"> <li>Review all 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;</li> </ul>
<ul style="list-style-type: none"> <li>Review all internal plans and reports in respect of planned or completed audits and monitor management's implementation and timeliness of internal audit recommendations;</li> </ul>
<ul style="list-style-type: none"> <li>Provide advice to the Chief Executive Officer on the appointment of Chief Auditor;</li> </ul>
<ul style="list-style-type: none"> <li>Review the internal audit charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place; and</li> </ul>
<ul style="list-style-type: none"> <li>Periodically review the performance of internal audit.</li> </ul>
<b>External audit</b>
<ul style="list-style-type: none"> <li>Act as a forum for communication between the Board, senior management and external audit;</li> </ul>
<ul style="list-style-type: none"> <li>Provide input and feedback on the financial statement and audit coverage proposed by external audit and provide feedback on the audit services provided;</li> </ul>
<ul style="list-style-type: none"> <li>Review all external plans and reports in respect of planned or completed audits and monitor management's implementation of audit recommendations; and</li> </ul>
<ul style="list-style-type: none"> <li>Provide advice to the Board on action taken on significant issues raised in relevant external audit reports.</li> </ul>

In undertaking its responsibilities, the Committee may refer matters to other Board Committees. The Committee will perform such other activities related to this Charter as are requested by the Board.

### **Powers and authority**

The Committee has no power to make decisions in respect to Airservices' business or affairs except as expressly delegated to the Committee by the Board.

As at the date of approval of this Charter, the Board has not delegated any decision-making powers to the Committee.

The Board has authorised the Committee to do the following things for the purposes of enabling the Committee to discharge its responsibilities:

- obtain information from management;
- have access to management and employees;
- obtain external, independent advice as considered necessary, at the cost of Airservices; and
- discuss any matter with the external auditor.

Any request by the Committee for external advice will be noted in the minutes of the Committee meeting.

### **Reporting**

In addition to providing the Board with the minutes of Committee meetings, the Committee, through its Chair, will report at Board meetings about the Committee's activities and prepare draft resolutions for the Board's consideration. Where appropriate, these reports should include:

- a summary of the committee's work to discharge its responsibilities;
- a summary of Airservices' progress in addressing the findings and recommendations made in internal and external audit and parliamentary committee reports;
- an overall assessment of Airservices' risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting Airservices; and
- details of meetings, including the number of meetings held during the period, and the number of meetings each member attended.

The Committee will provide its annual program of activities to the Board.

### **Evaluating performance**

The Committee will assess its performance against this Charter on an annual basis and seek appropriate input from the Board, the internal and external auditors and other relevant stakeholders as determined by the Board. The Committee will report to the Board on its assessment.

### **Review of Charter**

The Board will review this Charter on an annual basis, after receiving advice about the adequacy of the Charter from the Committee.

**Approved by the Board: 1 December 2016**

**Effective: Immediately**