



## **AAF COMPANY**

(ABN 82 008 629 490)

**(Trustee for the Army Amenities Fund and the Messes Trust Fund)**

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### **AUDIT COMMITTEE CHARTER**

#### **Establishment**

1. The Audit Committee of the Army Amenities Fund Company was recreated in 2020 to assist the Board in fulfilling its responsibilities by:
  - a. Overseeing and appraising the quality of audits conducted by the Company's external auditor/s.
  - b. Determining the adequacy of the Company's management, operating and accounting controls.
  - c. Inform the Company board of the financial affairs and risks to enable responsible management.

#### **Background**

2. The Board of the Army Amenities Fund (AAF) Company, a Commonwealth Company, established an Audit Committee IAW Subsection 45(1) 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).
3. Commonwealth companies are not Commonwealth entities for the purposes of the PGPA Act. The PGPA Act duties that apply to accountable authorities and officials of Commonwealth entities do not apply to directors and officers of Commonwealth companies.
4. The Corporations Act is the primary regulatory framework for Commonwealth Companies. Chapter 3 of the PGPA Act sets out additional requirements that Commonwealth Companies have to comply with in order to meet appropriate standards of public sector accountability.
5. For more information refer to the Department of Finance for definitions and guides.

## **Role and Responsibilities of the Audit Committee**

6. Consistent with Subsection 17(2) of the PGPA Rule, the role of the Audit Committee is to provide independent advice to the Chair and Board on the appropriateness of AAF Financial Reporting, Performance Reporting, System of Risk oversight and management, and the System of Internal Control.

7. The Committee is directly accountable to the AAF Board for the performance of its functions. The Committee has no managerial responsibilities and does not make decisions in relation to AAF company processes and functions.

### **Financial Reporting [PGPA Rule 17(2) (a)]**

8. The Audit Committee will review and provide independent advice to the Board on the appropriateness of AAF's:

- a. Annual financial statements and additional information required including the financial reporting and disclosure process to ensure compliance with PGPA Act, PGPA Rules, Accounting Standards and supporting guidance.
- b. Action in response to any issues raised by external auditor and ANAO including financial statements adjustments or revised disclosures;
- c. Processes to ensure that financial information included in the AAF Annual Report is consistent with the signed financial statements; and
- d. Financial reporting as a whole, reference to any specific areas of concern or suggestions for improvement.

### **Financial Performance [PGPA Rule 17(2) (b)]**

9. The Audit Committee will review the performance information, systems and framework, and provide independent advice to the board on its view of the appropriateness of AAF's:

- a. System and procedures for assessing, monitoring and reporting the achievement of the company's performance and determine that:
  - 1) AAF Corporate Plan contain appropriate details of how the company will achieve its purposes and measure and assess its performance;
  - 2) The approach to measuring performance covers the whole performance reporting lifecycle and is appropriate and in accordance with the Commonwealth Performance Framework Guidance; and
  - 3) Appropriate records are maintained to enable the preparation of the Annual performance statements and systems and processes are in place for inclusion of the statements in the annual report.
- b. Annual Performance Statements and performance reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

### **System of Risk Oversight and Management [PGPA Rule 17(2) (c)]**

10. The Audit Committee will review the system of oversight and management and provide independent advice to the Board on the appropriateness of AAF's:
- a. Enterprise risk management policy framework and the necessary internal controls for the identification and management of the company's key risks, including emerging risks, and other significant risks in accordance with the Commonwealth Risk Management Policy;
  - b. Risk Management capability and whether key roles, responsibilities and authorities relating to risk management are clearly articulated and adhered to;
  - c. Approach for reporting on management of risks to support the management's role in oversight of risk management;
  - d. Process for developing and implementing the AAF Fraud control arrangement including detecting, capturing and responding to fraud risk, in accordance with the Commonwealth Fraud Control Framework;
  - e. Approach to business continuity and disaster recovery management, including its ongoing maintenance and periodic testing; and
  - f. System for risk oversight and risk management as a whole, with reference to the Commonwealth Risk Management Policy and any specific areas of concern or suggestions for improvements.

### **System of Internal Control [PGPA Rule 17(2) (d)]**

11. The Audit committee will review the internal control framework and provide independent advice to the Board on the appropriateness of the AAF's:
- a. Approach to maintain an effective internal control framework;
  - b. Processes for ensuring relevant key policies such as the grants policy, fraud and risk policy are reviewed regularly and kept up to date;
  - c. Approach to implementing controls and systems to ensure compliance with, as well as monitoring compliance performance in relation to, significant and enabling legislation, regulations and Government policies.
  - d. consideration of legislative compliance risks within the internal control framework, fraud control framework and planning;
  - e. approach taken in establishing business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested;
  - f. steps taken to embed a culture that promotes the proper use and management of public resources and is committed to ethical and lawful conduct;
  - g. approach to maintaining an effective internal security system, including complying with the Protective Security Policy Framework, and ICT security policy;

- h. Internal audit planning to ensure coverage and alignment with AAF key risks, reporting on major concerns identified through audit reports to the Board, and recommending action on significant matters raised, and dissemination of information on good practice;
- i. processes for monitoring the implementation of internal audit recommendations and external reports and recommendations of relevance in particular from ANAO;
- j. Systems for internal control, with reference to any specific areas of concern or suggestions for improvement.

### **Additional Responsibilities**

- 12. The Audit Committee will be responsible for the following additional responsibilities:
  - a. responding to the ANAO Fraud Management Questionnaire as part of the annual Audit requirements.
  - b. develop and maintain a program of induction to help new committee members meet the Audit Committee commitments.

### **Membership of the Audit Committee**

13. In accordance with Subsection 17(3) and Subsection 17(4) of the PGPA Rule, the Audit Committee shall consist of a minimum of three (3) members who are not officials of the company. To maintain independence of the Audit Committee, the position must not be filled by Board Members.

14. The membership of the committee must include at least three members with appropriate qualifications, knowledge, skill or experience to assist the committee to perform its functions.

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

- a. Have a good understanding of the AAF Company functions, objectives and operational context;
- b. Act in the best interest of the AAF and the Commonwealth;
- c. Form an independent and objective judgement regarding the advice related to its function;
- d. Express opinions constructively and openly, raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry; and
- e. Contribute the time required to meet their responsibilities.

16. Affiliates to the Audit Committee are to be endorsed by the Chair and advised to the Board.

### **Appointment to the Audit Committee**

17. Audit Committee members shall be appointed and removed by the Board, with appointment and removal documented in the Board Minutes.

18. Membership of the committee will be reviewed periodically (but at least every three years) by the Board with the aim of ensuring an appropriate balance between continuity of membership, the contribution of fresh perspectives and suitable mix of qualifications, knowledge, skills and experience.

19. Affiliates to the Audit Committee may be endorsed by the Chair, with endorsement documented in the Board Minutes. Any member of the Board may recommend an Affiliate. Endorsement as an Affiliate shall automatically expire annually on 30 June. An Affiliate to the Audit Committee may fill the role for up to three consecutive years.

### **Role of Affiliates to the Audit Committee**

20. Affiliates to the Audit Committee may be invited to Audit Committee Meetings after endorsement of the Chair. Affiliates represent the interests of broader Army and assist the Committee with sound financial and risk management and special projects. Affiliates may be serving members of the Australian Army, or members of the Australian Public Service employed within the Army Group. Affiliates may make recommendation to the Committee in relation to financial reporting and disclosure. Affiliates do not have voting rights.

### **Chair of the Audit Committee**

21. The Board will appoint one member of the Audit Committee as the Chair of the Audit Committee.

22. The Chair of the Audit Committee must be an independent member and not a member of the board.

23. Should the Chair of the Audit Committee be absent from a committee meeting, and no acting Chair appointed, the members of the Committee present at the meeting have authority to choose one of the committee member and/or affiliate to be Chair for the particular meeting.

24. The Chair of the Board may appoint an Acting Chair of the Audit Committee for a period of up to six months without reference to the Board, provided such appointment is an existing member of the Audit Committee and the temporary appointment is annotated in the next Board Meeting Minutes.

### **Operation of the Audit Committee**

25. The Audit Committee shall have access to the books and records of the AAF Company, the Company investment strategy documentation, the guidance provided to the Grants Committee, the details of all grants allocated and any other material and information to enable the Audit Committee to advise effectively on its role and responsibilities to the Board.

26. The Committee will regularly update the Board on its activities and make recommendation to the board as to alternative processes, suggested improvements, concerns, potential compliance and performance risks and existing good practices with support from Risk Committee and Legal Officer Board Member appointed by Chief of Army.

27. The Chair of the Committee will report to the Board at the next Board meeting following a meeting of the committee on any matter that the committee considers should be brought to the attention of the Board.

28. The Audit Committee shall conduct an annual review of external suppliers of the AAF Company and make annual assessment of compliance and recommendations to the Board on the risk of the business arrangement.

29. The Committee shall provide an annual assessment of assurance with external audit requirements as part of the preparation of financial statements and annual reporting, remuneration reporting requirements and internal audit programs.

### **Frequency of Meetings**

30. The Chair of the Audit Committee will determine the frequency of committee meetings in order to deliver on the strategic guidance of the Board.

31. The Audit Committee is to meet a minimum of four (4) times per financial year.

### **Notice of Meetings**

32. The Chair of the Committee is to advise the Board of Committee meetings using the Schedule of Audit Work Plan, which is updated annually. The Chair is responsible for inviting Affiliates to committee meetings.

### **Attendees**

33. A Chair of the Audit Committee must attend all committee meetings. This may be the Board appointed Chair, an Acting Chair appointed by the Chair of the Board or a Chair raised under clause 23 of this charter.

34. Board Members, CFO, and management team representatives may attend an Audit Committee meeting as an observer/advisors to facilitate effective collaboration and alignment, but only appointed members of the Audit Committee will have voting rights.

35. Representatives from the Australian national Audit Office (ANAO) may attend committee meetings (in whole or in part) as observers.

36. Affiliates may attend Audit Committee meetings when invited by the Chair of the Audit Committee.

### **Quorum for Meetings**

37. For a meeting to achieve **quorum**, it will require the presence of at least two members of the Audit Committee, in addition to a representation of at least 50% of the total members. This threshold ensures that vital decisions and discussions are conducted with a substantive and inclusive participation of our Audit Committee members.

### **Decisions of the Audit Committee**

38. Decisions of the Audit Committee shall be made by majority vote of the Audit Committee members present at the committee meeting. With the approval of the Chair, the Committee can also agree items out-of-session by email communication.

39. Where required, the Chair of the Audit Committee shall hold a casting vote.

**Expert Advice**

40. Where the Audit Committee determines that it requires expert advice, a request to source that advice shall be made to the Board.

**Conflict of Interest**

41. On engagement and each year thereafter, Members of the Audit Committee and its affiliates will provide written declarations to the Audit Committee Chair for provision to the Chair of the Board, declaring any potential or actual conflicts of interest they may have in relation to their responsibilities. Consideration for Audit Committee Independence should include past employment, consultancy arrangements and related party issues in making these declarations and the Chair of the Board should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

42. At the beginning of each Committee meeting, members, advisers and observers are required to declare any potential or actual conflict of interest that may apply to specific matters on the meeting agenda. Where required by the Chair, the member, advisers and/or observer will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s). Details of potential or actual conflicts of interest declared during the committee meeting and action taken will be appropriately reflected in the minutes.

**Committee Assessment**

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

44. The chair of the Committee will initiate a review of the performance of the Committee at least once every two years. The outcome of this assessment will be reported to the Chair of the Board. The review will be conducted on a self-assessment basis with appropriate input sought from Committee members, AAF management, internal/external auditors and any other relevant stakeholders as determined by the Chair of the Board.

45. Review of the Audit Committee Charter is to occur annually.

Last updated: 31 October 2023

Audit Committee Chair  
AAF Company