



# **CASA Board Audit and Risk Committee Charter and Governance Arrangements**

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<b>Responsible Area Manager</b>	CASA Board
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This is an internal CASA policy manual. It contains guidance material intended to assist CASA officers and delegates in carrying out their regulatory responsibilities and is available to the public for information purposes only.

You should not rely on this manual as a legal reference. Refer to the civil aviation legislation—including the *Civil Aviation Act 1988* (Cth), its related regulations and any other legislative instruments—to ascertain the requirements of, and the obligations imposed by or under, the law.

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## Glossary

### Acronyms and abbreviations

Acronym / abbreviation	Description
ANAO	Australian National Audit Office
BARC	Board Audit and Risk Committee
CASA	Civil Aviation Safety Authority
CEO	Chief Executive Officer
DAS	Director of Aviation Safety
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	<i>Public Governance, Performance and Accountability Rule 2014</i>
The Act	<i>Civil Aviation Act 1988</i>

## Revision history

Amendments/revisions of this Manual are recorded below in order of most recent first.

Version No.	Date	Parts/Sections	Details
8.0	June 2021	All	Board resolution on BARC membership (s.4) and new reference to the management representative (s.4). Other minor changes.
7.0	August 2020	All	All chapters updated
6.1	June 2019	Review Date	Correction to review date
6.0	November 2018	Title	Name change of Committee from Board Audit Committee to Board Audit and Risk Committee
5.0	February 2018	Membership	Refined membership and composition of the Committee
4.0	February 2017	All	Updated to new CASA manual format
3.0	December 2015	All	All chapters updated
2.0	May 2013	All	All chapters updated
1.1	March 2012	Chapter 8	Minor amendment
1.0	June 2010	All	First issue

## 1. Introduction

The Board of the Civil Aviation Safety Authority (CASA) has established the Board Audit and Risk Committee (the BARC) in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 17 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) - Audit committee for Commonwealth entities.

## 2. Role

The BARC is established by the Board to provide independent advice and assurance on all matters that will assist the Board to discharge its responsibilities under the *Civil Aviation Act 1988* and the PGPA Act in respect of:

- a. financial and performance reporting
- b. system of risk oversight and management
- c. system of internal control, and
- d. compliance with relevant laws and policies.

The Board may choose to confer other functions on the BARC, but the nature and extent of those functions, and the manner in which they are to be performed, are matters for the Board.

The Board may specify the parameters of the BARC's 'operational' prerogatives in a way that does not unduly impede the BARC's ability to perform its statutory functions.

The BARC is not responsible for the executive management of these functions. The BARC will engage with management in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Board.

## 3. Authority

The BARC functions in an oversight and review role. It has no executive powers, supervisory functions or decision-making authority in relation to the operations of CASA except those expressly delegated to it by the Board.

Subject to the particular requirements specified in the PGPA Act and the PGPA Rule, the nature and extent of the BARC's functional autonomy is a matter for the CASA Board.

The Board authorises the BARC, within its responsibilities, to:

- a. obtain any information or papers it requires from any CASA employee or external party (subject to any legal obligation to protect information)
- b. discuss any matters with the Australian National Audit Office (ANAO), or other external parties (subject to confidentiality considerations)
- c. request the attendance of any employee, including members of the Board, at BARC meetings, and
- d. obtain legal or other professional advice at CASA's expense, as considered necessary to meet its responsibilities.

All decisions of the BARC shall be referred to the Board for approval, other than the Internal Audit Charter and those matters relating to the oversight of the approved internal audit work program.

### 4. Membership

The BARC must consist of a minimum of three independent persons who have appropriate qualifications, knowledge, skills and experience to assist the BARC to perform its functions<sup>1</sup>. The Board has determined that membership of the BARC will include a minimum of two non-executive CASA Board members.

BARC members will be appointed by the Board for an initial period of up to three years after which they will be eligible for extension or re-appointment for a further period as agreed by the Board and subject to a review of their performance.

Membership of the BARC 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 a suitable mix of qualifications, knowledge, skills and experience.

The Board will appoint the Chair of the BARC who may be either non-executive director of the Board or an independent external member. The BARC Chair cannot be the Chair of the Board or the CEO/DAS.

The BARC will not include any CASA employees.

The BARC is authorised to appoint a Deputy Chair who will act as Chair in the absence of the Chair.

A representative of the ANAO will be invited to attend meetings of the BARC as an observer.

Board members are welcome to attend any BARC meeting as observers. Board members should advise the BARC Chair of their intention to attend a BARC meeting.

Observers have no fiduciary duties or voting rights, but may be invited to comment at a BARC meeting. Observers, who are not Board members, may be excluded, if necessary, from portions of the meeting. Board members observing a meeting will not be excluded from any BARC deliberations. All observers are required to maintain confidentiality of any discussions, and associated documents, relating to the meeting.

The CEO/DAS will appoint a management representative to assist the BARC in their deliberations by providing information about aspects of CASA's corporate and operational affairs. The management representative will be a member of the senior executive team and will attend all BARC meetings. The management representative is not a member of, and has no voting rights or other affirmative participatory prerogatives in relation to, the BARC's deliberations. The tenure for this role will be for a period of up to two years and will be rotated through the senior executive team.

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<sup>1</sup> For the purposes of the PGPA Act, Board members are considered 'independent' as they are not employees of the organisation

## **Skills and Behaviours**

The BARC will adopt and maintain a program of induction, training and awareness-raising for its members, with the objective of enabling the BARC to keep abreast of contemporary developments and leading practices in relation to its functions and members will receive a appropriate familiarisation briefing prior to commencement.

The key principles underpinning the *CASA Code of Conduct* also apply to the BARC.<sup>2</sup> These principles include:

- a. a duty of care to observe standards of professionalism, equity and justice when dealing with others
- b. an obligation to protect CASA's integrity and reputation, and to demonstrate due care in the responsible management of CASA's resources, and
- c. an obligation to act appropriately when a conflict arises between one's self-interest and his or her duty to CASA and the Australian Government.

Members of the BARC are expected to understand and observe the legal requirements of the Act and the PGPA Act and associated regulations and rules. In keeping with these legal obligations, Members are also expected to:

- a. use reasonable endeavours to act in the interests of CASA
- b. contribute the time needed to study and understand the issues addressed in the papers provided
- c. apply sound analytical skills, objectivity and good judgement, and
- d. express opinions constructively and respectfully
- e. pursue independent lines of enquiry as required.

## **5. Functions**

In accordance with subsection 17(2) of the PGPA Rule, the Board has defined the responsibilities of the BARC to include reviewing the appropriateness of CASA's:

- a. financial reporting
- b. performance reporting
- c. system of risk oversight and management (recognising that the responsibility for the management of CASA's risks rests with the Board at a strategic level and with the CEO/DAS at an operational level), and
- d. system of internal control.

At least annually, the BARC will provide a statement to the Board as to whether in the BARC's view, CASA's financial reporting, performance reporting and systems of risk oversight and management and internal control are appropriate, including any specific areas of concern and suggestions for improvement.

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<sup>2</sup> See *CASA Values and Code of Conduct Directive*, CASA-02-4572 (February 2020), <http://services.casa.local/sites/DocumentCatalogue/CASADocuments/DAS%20CEO%20EM%20Directive%20-%20Values%20conduct%20Directive%20-%20January%202020.pdf>



## 5.1 Financial reporting

Responsibilities to fulfil the BARC's financial reporting function include reviewing the financial statements and recommending their signing by the Board. In particular, the BARC will:

- a. consider and review CASA's compliance with applicable accounting standards
- b. consider and review the appropriateness of accounting policies and disclosures, including any significant changes to accounting policies
- c. consider and review areas of significant matters involving the exercise of judgement and financial statement balances that require estimation
- d. examine significant or unusual transactions
- e. review assertions and sign-off by CASA management in relation to the quality of the financial statements, internal controls and compliance
- f. consider and review the auditor's judgments about the adequacy of the CASA's accounting policies and the quality of the CASA's processes for the preparation of the CASA's financial statements, through discussions with the ANAO
- g. consider whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures, and
- h. review the processes in place designed to ensure that financial information included in CASA's annual report is consistent with the signed financial statements.

The BARC will provide a statement as to the appropriateness of:

- the annual financial statements having regard to their compliance with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance material
- additional information (other than financial statements) for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package), with a view to compliance with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance material
- CASA's financial reporting as a whole, including any specific areas of concern or suggestions for improvement.

## 5.2 Performance reporting

Responsibilities to fulfil the BARC's performance reporting function include reviewing CASA's systems and procedures for assessing and reporting the achievement of CASA's performance commitments. In particular, the BARC will satisfy itself that:

- a. CASA's Portfolio Budget Statements and corporate plan include details of how CASA's performance will be measured and assessed
- b. CASA'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 has taken into account guidance issued by the Department of Finance
- c. CASA has appropriate systems and processes in place for the preparation of its annual Performance Statement and the inclusion of the Statement in its annual report, and

- d. CASA's proposed Performance Statement aligns with CASA's financial information, including the financial statements proposed for inclusion in its annual report.

The BARC will provide a statement to the Board whether, in their view, CASA's annual performance statements and performance reporting as a whole is appropriate, including any specific areas of concern or suggestions for improvement.

### 5.3 Systems of risk oversight and management

Responsibilities to fulfil the BARC's risk oversight and management function include:

- a. satisfying itself that management has in place a current and sound enterprise risk management framework and associated internal controls for the effective identification and management of CASA's organisational risks
- b. reviewing CASA's risk management framework, including CASA's risk management plan and business continuity plan
- c. satisfying itself that a sound approach has been followed in managing CASA's highest risks including those associated with individual projects, program implementation and activities. The identification, assessment, and prioritisation of risk, and the review of CASA's application of resources to minimise, monitor and control the likelihood and/or consequences of risks are the responsibility of the Board and/or the CEO/DAS. These responsibilities are included in CASA's Risk Management Policy
- d. advising the Board of any potential, emerging or escalating risks of which the BARC becomes aware in the course of discharging its duties
- e. reviewing the process of developing and implementing CASA's fraud control and integrity arrangements and satisfying itself that CASA has appropriate processes and systems in place to detect, capture and effectively respond to fraud and integrity risks, and
- f. periodically commissioning a CASA-wide assurance map that identifies CASA's key assurance arrangements.

### 5.4 System of internal control

Responsibilities to fulfil the BARC's internal control function include:

#### a. Internal control framework

Reviewing management's approach to maintaining an effective internal control framework, which should include controls in relation to functions performed by external parties such as contractors and advisers

reviewing whether management has in place relevant policies and procedures, including Board Instructions or their equivalent, and that these are periodically reviewed and updated

satisfying itself that appropriate processes are in place to assess whether key policies and procedures are complied with, and

satisfying itself that management periodically assesses the adequacy of CASA's information security arrangements, including complying with CASA reporting obligations.

## **Legislative and policy compliance**

Reviewing the effectiveness of systems for monitoring CASA's compliance with laws, regulations and associated government policies with which CASA must comply

reviewing, where relevant, CASA's compliance with relevant international conventions, including the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions

determining whether management has appropriately considered legal and compliance risks as part of CASA's enterprise risk management plan, and

providing advice to the Board regarding the issue of CASA's annual compliance report.

## **Internal audit coverage**

Reviewing the proposed internal audit coverage, ensuring the coverage takes into account CASA's key risks, and endorse the Internal Audit work plan and Internal Audit budget for Board approval

reviewing all audit reports and providing advice to the Board on significant issues identified in audit reports and recommending action on significant issues raised, including the identification and dissemination of good practice, and

obtain an annual report from the Chief Audit Executive, or the outsourced internal audit service provider, on the overall state of CASA's internal controls.

## **Business continuity management**

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

## **Delegations**

Reviewing whether appropriate policies and associated procedures are in place for the responsible management and exercise of delegations and authorisations.

## **Ethical and lawful conduct**

Assessing whether management 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.

## **5.5 Other functions**

In addition to the four mandatory functions mentioned above, the BARC will undertake the following responsibilities:

### **Administration of the internal audit function**

- a. reviewing and approving the Internal Audit Charter at least every two years
- b. advising the Board on the adequacy of internal audit resources and/or budget, to carry out its responsibilities, including completion of the approved internal audit work plan, if required
- c. monitoring management's implementation of internal audit recommendations

- d. periodically reviewing the performance of internal audit, and reporting the results to the Board, and
- e. periodically meeting directly and exclusively with the Chief Audit Executive and the service providers.

### Other

- a. Undertaking other activities related to its responsibilities as requested by the Board, and
- b. subject to the approval of the Board, establishing one or more sub-committee/s to assist the full BARC in meeting its responsibilities. The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by the full BARC, and will include the following features:
  - i. a member of the BARC is appointed as chair of the sub-committee
  - ii. the membership of sub-committees may include persons other than members of the full BARC if additional or specialised expertise on particular matters is required
  - iii. minutes of all meetings of sub-committees are to be taken, distributed in a timely manner to all members of the BARC, and tabled for discussion at the next most appropriate BARC meeting, and
  - iv. important issues that may require consideration by the full BARC are brought to the attention of the Chair of the BARC immediately following a sub-committee meeting so that the Chair is in a position to decide what action, if any, may need to be taken.

## 6. Engagement with ANAO

The BARC will engage with the ANAO, as CASA's external auditor in relation to the ANAO's financial statement and performance audit coverage. In particular, the BARC will:

- a. if required, provide input on planned ANAO performance audit coverage
- b. monitor management's responses to all ANAO financial statement management letters, reports and observations and ANAO performance audit reports, including the implementation of audit recommendations
- c. provide advice to the Board on action to be taken on significant issues raised in relevant ANAO reports, and
- d. if required, meet exclusively with the ANAO at least once per year.

## 7. Reporting

The BARC will regularly update the Board on its activities and make recommendations to the Board, as appropriate.

The Chair of the BARC will report to the Board at the next Board meeting following a meeting of the BARC on any matters that the BARC considers should be brought to the attention of the Board.

The BARC will provide an annual report to the Board within three months of the end of the financial year on its operation and activities during the year. The report must include:

- a. a summary of the work the BARC performed in discharging its responsibilities during the preceding year
- b. a summary of CASA's progress in addressing the findings and recommendations made in internal reports of which the BARC is aware and external reports that the BARC has commissioned, as well as other reports (e.g. parliamentary committee reports), but in the case of such other reports, only where those reports have been referred to the BARC by the Board
- c. an overall assessment of CASA's financial reporting, performance reporting, risk management, control and compliance framework, including details of any significant emerging risks and legislative changes impacting CASA, and
- d. details of meetings held during the relevant period, including the number of meetings each member attended.

### **8. Administrative arrangements**

The BARC will meet at least four times per year. One or more additional meetings may be held to review CASA's annual financial statements and performance statement, or to meet other responsibilities of the BARC.

All BARC members are expected to attend each meeting, in person or via tele-or-video conference.

The Chair is required to call a meeting if asked to do so by the Board and to decide if a meeting is required if requested by another BARC member, Internal Audit or the ANAO.

#### **8.1 Planning**

The BARC will develop a forward meeting schedule that includes the dates, location, and proposed agenda items for each meeting for the forthcoming year.

#### **8.2 Quorum**

A quorum will consist of a majority of BARC members. The quorum must be in attendance at all times during the meeting in whatever form is agreed by the Chair e.g. in person, videoconference, teleconference etc.

#### **8.3 Secretariat**

Secretariat arrangements will be the same as for the Board. The secretariat will ensure that:

- a. the agenda for each meeting is approved by the Chair
- b. the agenda and supporting papers are circulated at least one week before the meeting, and
- c. the minutes of the meetings are prepared and maintained.

Minutes must be reviewed by the Chair and circulated within one week of the meeting to each member and BARC observers, as appropriate.

### **9. Conflicts of interest**

A BARC member may give other BARC members a standing notice of their interest in a matter or range of matters. The notice may be given at a BARC meeting or individually to the other BARC members in writing, provided that the notice is also tabled at the next BARC meeting after the notice is given. In any event, the nature and extent of the interest notified must be recorded in the minutes of the next BARC meeting.

If a new BARC member is appointed, the notice must be given to the new BARC member in order for it to continue to be operative. Additionally, for the notice to remain operative a new notice must be given if the nature or extent of the interest materially increases.

The Board Secretary is to maintain an appropriate form for a standing notice and a register of notices that have been given and varied.

External members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Board, in consultation with the BARC Chair, should be satisfied that there are sufficient processes in place to manage any actual or perceived conflict.

At the beginning of each BARC meeting, members are required to declare any material personal interests that may exist in relation to specific matters on the meeting agenda. Where required by the Chair, the member will be excused from the meeting or from the BARC's consideration of the relevant agenda item(s). The Chair is also responsible for deciding if he/she should excuse themselves from the meeting or from the BARC'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.

### **10. Induction**

New members will receive relevant information and briefings on their appointment to assist them to meet their BARC responsibilities. A familiarisation briefing will be provided prior to commencement.

### **11. Assessment arrangements**

The Chair of the BARC will initiate a self-assessment of the performance of the BARC at least every two years. The review will involve input from the Board, each BARC member, relevant senior managers, Internal Audit, the ANAO, and any other relevant stakeholders as determined by the BARC.

### **12. Review of charter**

At least once a year the BARC will review this charter.

Any substantive changes to the charter will be recommended by the BARC and formally approved by the Board.