

# Audit and Risk Committee

## 1. Purpose

The purpose of this Terms of Reference is to document the objectives, responsibilities, composition and administration of the Audit and Risk Management Committee (“**ARC**” or “**Committee**”) of Industry Skills Australia Limited (“**ISA**”).

## 2. Objectives

The primary objective of the Committee is to provide assurance, advice and recommendations to the Board on the following issues:

- a) Financial reporting and financial management.
- b) External audit.
- c) Systems of risk oversight and management.
- d) Systems of internal control and compliance management.

## 3. Responsibilities

The main duties and responsibilities of the Committee are:

### 3.1 Financial reporting and financial management

- a) Review the quality, reliability and adequacy of financial statements, reports and other financial information.
- b) Review financial risks and assess solvency to ensure the business remains a going concern.
- c) Review and recommend to the Board annually the operating and capital expenditure budget.

### 3.2 External audit

- a) Act as a point of contact for the external auditors on the audit plan and matters of concern to the external auditors.
- b) Make recommendations to the Board on the adoption of the audited financial statements.
- c) Review relevant correspondence from the external auditors at the conclusion of the external audit and consider the adequacy of management responses and plan to address any identified deficiencies.
- d) Review the performance of the external auditor on an annual basis and recommend their re-appointment or otherwise for the subsequent year.

### 3.3 System of Risk Oversight and Management

- a) Oversee and monitor the establishment, implementation and effectiveness of an appropriate risk management framework.
- b) Review enterprise risks at least annually to ensure that risks are categorised appropriately and that appropriate measures have been put in place to manage those risks.
- c) Identify and advise the Board on emerging or untreated enterprise risk and proposed treatments, including clear accountabilities for the management of risk.

- d) Review and advise the Board of arrangements for business continuity and disaster recovery and periodic testing.
- e) Review insurance coverage and provide assurance to the Board on the appropriateness of coverage in place.

### **3.4 Systems of Internal Control**

- a) Monitor and review the adequacy and effectiveness of ISA's policies and practices in complying with laws, regulations, and accounting standards, as well as meeting its material contractual obligations.
- b) Review the processes for development and implementation of fraud control arrangements including assurance that appropriate processes and systems are in place to detect, capture and effectively respond to fraud risks.
- c) Oversee and monitor ISA's obligations with regard disclosure of gifts and hospitality as mandated under the funding agreement.
- d) Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.
- e) Oversee the disclosure of related party transactions and Director expense reimbursements.

## **4. Composition and Meetings**

### **4.1 Membership and Attendance at Meetings**

- a) The Committee will consist of up to five (5) current Directors, comprising up to three (3) Independent Directors of the Board and no more than two (2) other Directors so that at all times the Committee is comprised of a majority of Independent Directors.
- b) The Chair of the Committee will be an Independent Director of the Board, but not the Chair of the Board, and appointed by the Board.
- c) One of the Members must have a specific background in finance, accounting or economics.
- d) A quorum of the Committee is any three (3) Members of the Committee, 2 of whom must be Independent Directors.
- e) If the Committee Chair is unable to attend a meeting, the Committee Chair will appoint and alternate Chair or who will act as Chair for the purposes of that Committee meeting.
- f) The CEO and General Manager of Corporate Services will be issued a standing invitation to attend each Committee meeting in a non-voting capacity. Other Members of management and advisors (including the external auditor) can also be invited to attend meetings at the discretion of the Committee Chair.
- g) The secretary of the Committee is the Company Secretary, or another person nominated by the Board.

### **4.2 Member terms**

- a) The period of appointment for the Chair and members shall be up to two years with an option to serve up to two additional terms to a maximum of six years.

#### **4.3 Meetings**

- a) The Committee will meet as frequently as necessary to undertake its role effectively but no less than four (4) times per year. Additional meetings may be convened at the discretion of the Chair, or at the request of the Board, or any Committee Member.
- b) Meetings may be held in person, by telephone, or by video conference, or by any combination of these media.
- c) Members will receive relevant Committee papers at a reasonable time before each meeting, with an aim of receiving Committee papers at least one week prior to the relevant meeting.
- d) Committee Members must disclose all matters that could, or do, give rise to a conflict of interest in relation to a matter or decision being considered by the Committee.
- e) The Company Secretary, or other person nominated by the Committee Chair, takes minutes of the proceedings of all meetings of the Committee. The minutes are provided to the Committee Chair for review within three (3) days of the meeting and once approved by the Committee Chair, circulated to the Committee Members for information.
- f) The Committee may pass a resolution without a meeting of the Committee if all Members entitled to vote on the resolution assent to a document containing a statement that they are in favour of the resolution set out in the document. Separate copies of a document may be used for this purpose and/or an electronic signature or assent may be used, if the wording of the resolution and the statement is identical in each case.

#### **5. Authority**

- a) The Board has absolute authority over the Committee's findings and recommendations.
- b) The Board delegates authority to the Committee, within the scope of its responsibilities, to obtain any information it requires from any employee or external party, including management and internal and external auditors (with or without management present) and/or facilitate the attendance at Committee meetings of external parties with relevant expertise.
- c) The Committee Chair will liaise and consult with other Board Committee Chairs at least annually to discuss any merging issues in relation to current and emerging risk and/or impact on financial sustainability in addition to any proposed audits to inform any internal audit work program.

#### **6. Reporting**

- a) The Committee Chair reports to the Board after each meeting. The report must cover the findings and recommendations of the Committee.
- b) The papers and minutes of all Committee meetings are to be made available to the Board through the Board portal.

#### **7. Review of Terms of Reference**

The Terms of Reference will be revised every two (2) years. The Company Secretary shall be responsible for initiating and managing this process.

## 8. Related Documentation

- ISA's Constitution
- Board Charter
- Delegation Policy

<b>Responsible Officer:</b>	Company Secretary	<b>Approving Body:</b>	Board
<b>Policy Version:</b>	V 2.0	<b>Review period:</b>	2 years
<b>Effective Date:</b>	22 September 2025	<b>Next review date:</b>	22 September 2027