Audit and Risk Committee Charter

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Part 1—Introduction

Background

1. First Parliamentary Counsel (***FPC***) has established the Audit and Risk Committee (***the Committee***) in accordance 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***). FPC is the accountable authority of OPC under paragraph 2(5)(b) of the *Parliamentary Counsel Act 1970.*
2. This Charter sets out the role and responsibilities of the Committee, including its objective, authority, membership, functions, reporting and administrative arrangements.

Membership of the Committee

1. The Committee consists of three independent (external) members appointed by FPC.

Note: Subsection 17(4) of the PGPA Rule requires all Audit and Risk Committee members to be persons who are not officials of OPC, and a majority of members must be persons who are not officials of any Commonwealth entity.

1. FPC will appoint the Chair of the Committee. If the Chair is to be precluded from participating in an agenda item due to a conflict of interest, the Chair may appoint another member of the Committee to Chair that agenda item.
2. Independent (external) members are appointed for a minimum three year term. Membership should be reviewed after this to ensure ongoing independence (maximum term is 10 years).
3. The Independent Chair and any other external members may be remunerated.
4. Any member of the Committee can approach FPC on any matter relevant to the functions of the Committee.
5. Audit committee members must have appropriate qualifications, knowledge, skills or experience to assist the committee to perform its functions. All members, taken collectively, will have a broad range of skills and experience relevant to the operations of OPC. At least one member of the Committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

Note: See subsection 17(3) of the PGPA rule.

Observers and advisors

1. The Chair may approve any OPC officer attending a Committee meeting or meetings as an observer or participant.
2. There are two permanent observers on the Committee: General Manager, Corporate Services, and a Senior Executive Service (SES) or statutory officer (generally, this is Second Parliamentary Counsel).
3. The FPC and the Chief Financial Officer (CFO) may attend meetings as observers, or be invited by the Chair to participate in specific discussions or to provide strategic briefings to the Committee. The Committee may also request other employees, Australian National Audit Office (***ANAO***) auditors and any internal auditors to attend Committee meetings to participate for certain agenda items.
4. OPC’s ANAO audit representative will be invited to attend each meeting. Others, for example the internal auditor, may attend Committee meetings by invitation.

Conflicts of interest

1. On appointment, and once each year, Committee members will provide written declarations to the Secretariat who will provide them to the FPC declaring any material personal interests or relationships they may have in relation to their responsibilities. Committee members should consider past employment, consultancy arrangements and related party issues in making these declarations. The FPC, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.
2. At the beginning of each Committee meeting, members are required to declare any material personal interests or relationship which may apply to specific items on the meeting agenda. If required by the Chair, the member will be excused from the meeting or the relevant agenda item(s). The Chair is also responsible for deciding, in consultation with the FPC where appropriate, if they should excuse themselves from the meeting or the relevant agenda item(s) because they have a real or perceived conflict of interest.
3. The Secretariat will record any declarations of Committee members and resulting actions in the meeting minutes.

Part 2— Role, responsibilities and objectives of the Committee

1. The Committee is directly accountable to FPC.
2. The functions of the Committee are to provide independent assurance and advice to the FPC on the OPC’s systems of financial and performance reporting, risk oversight and management, internal control, and its external accountability responsibilities.

Note: See subsection 45(2) of the PGPA Act and section 17 of the PGPA Rule.

Responsibilities

1. The Committee will review and provide advice to FPC on the OPC’s performance in carrying out the responsibilities below.

Financial Reporting

1. The Committee is to review and provide advice on the appropriateness of the OPC’s:
	* + annual financial statements;
		+ information (other than annual financial statements) requested by the Department of Finance (***Finance***) in preparing the Australian Government’s consolidated financial statements, including the supplementary reporting package;
		+ processes and systems for preparing financial reporting information;
		+ financial record keeping; and
		+ processes in place to allow the FPC to stay informed throughout the year of any changes or additional requirements in relation to the financial reporting.
2. The Committee is to provide a statement to the FPC:
	* + whether the annual financial statements, in the Committee’s view, comply with the PGPA Act, the PGPA Rule, the Accounting Standards and supporting guidance;
		+ whether additional OPC information (other than financial statements) required by Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package) comply with the PGPA Act, the PGPA Rule, the Accounting Standards and supporting guidance; and
		+ in respect of the appropriateness of the OPC’s financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

Performance Reporting

1. The Committee is to review and provide advice on the appropriateness of the OPC’s systems and procedures for assessing, monitoring and reporting on achievement of the OPC’s performance. In particular, the Committee should satisfy itself that:
	* + the OPC’s Portfolio Budget Statements and Corporate Plan contain appropriate details of how the OPC’s performance will be measured and assessed;
		+ the OPC’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 in accordance with the [Commonwealth performance framework](https://www.finance.gov.au/government/managing-commonwealth-resources/planning-and-reporting/commonwealth-performance-framework). This may include reviewing, over time, particular elements of the performance measures; and
		+ the OPC has appropriate systems and processes for preparation of its annual performance statement and inclusion of the statement in its annual report.
2. The Committee is to review the annual performance statements and provide advice to the FPC on their appropriateness.
3. The Committee is to provide a statement to the FPC whether, in their view, the OPC’s annual performance statements and performance reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

System of Risk Oversight and Management

1. The Committee is to review and provide advice on the appropriateness of the OPC’s:
	* + enterprise risk management policy framework and the necessary internal controls for the effective identification and management of the OPC’s risks, in keeping with the [Commonwealth Risk Management Policy](https://www.finance.gov.au/government/comcover/commonwealth-risk-management-policy) (for Non-corporate Commonwealth entities (***NCEs***));
		+ approach to managing the OPC’s strategic risks, and those risks associated with individual projects and program implementation and activities;
		+ process for developing and implementing the OPC’s fraud control arrangements consistent with the [Commonwealth Fraud Control Framework](https://www.ag.gov.au/integrity/publications/commonwealth-fraud-control-framework), and satisfy itself that the OPC has adequate processes for detecting, capturing and effectively responding to fraud risks; and
		+ documentation of key roles and responsibilities relating to risk management and adherence to them by officials of the 0PC.
2. The Committee is to provide a statement to the FPC whether in their view, the OPC’s system of risk oversight and management as a whole is appropriate (with reference to the [Commonwealth Risk Management Policy](https://www.finance.gov.au/government/comcover/commonwealth-risk-management-policy) ) and any specific areas of concern or suggestions for improvement.

System of Internal Control

1. The Committee is to review and provide advice on the appropriateness of the OPC’s:
	* + approach to maintaining an effective internal control framework and whether appropriate processes are in place for assessing whether key policies and procedures are complied with, including Accountable Authority Instructions, delegations and business continuity management;
		+ governance arrangements, suggesting improvements where appropriate;
		+ legislative and policy compliance:
			- systems for monitoring compliance with laws, regulation and associated government policies with which the OPC must comply;
			- determining whether management has adequately considered legal and compliance risks as part of the OPC’s enterprise risk management framework, fraud control framework and planning.
		+ protective security compliance:
			- reviewing management’s approach to maintaining an effective internal security system (including complying with the [Protective Security Policy Framework](https://www.protectivesecurity.gov.au/)).
		+ internal audit coverage:
			- reviewing the proposed internal audit plan and ensuring that the plan considers the OPC’s strategic risks;
			- recommending approval of the internal audit work plan by FPC or the nominated delegate;
			- reviewing all internal audit reports, and providing advice to FPC on major concerns identified in those reports; and
			- monitoring management’s implementation of internal audit recommendations.
		+ approach to embedding a culture that promotes the proper use and management of public resources and is committed to ethical and lawful conduct;
		+ mechanisms for reviewing external reports (Auditor-General, Joint Committee of Public Accounts and Audit (JCPAA) and other parliamentary committees, Royal Commissions etc.) and implementing recommendations.
2. The Committee is to provide a statement to FPC whether the OPC’s system of internal control is appropriate, with reference to any specific areas of concern or suggestions for improvement.

Deliverables

1. The Committee will provide advice to the FPC on the Committee’s ongoing monitoring of the internal audit plan and the appropriateness of OPC’s financial reporting, performance reporting, system of risk oversight and management, and system of internal control, after the September meeting each year.
2. The Secretariat will draft the document for discussion and approval at the September meeting.
3. The Chair of the Committee will provide a written or verbal update to FPC after each meeting.

Core Principles and Expectations of Members

1. Members of the Committee are expected to understand and observe the legal requirements of the PGPA Framework.
2. Committee members must not use or disclose information obtained by the Committee except in meeting the Committee’s responsibilities, or unless expressly agreed by FPC.
3. In exercising its responsibilities, the Committee is to promote the core principles of good public sector governance, including, but not limited to:

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| --- | --- |
| Accountability | Being answerable for decisions |
| Transparency | Having clear roles, responsibilities and decision-making processes |
| Integrity | Acting impartially, ethically and in the interests of OPC  |
| Stewardship | Using every opportunity to enhance the value of public assets |
| Efficiency | Making best use of resources to further objectives  |
| Leadership | Working together to discuss and agree issues, modelling desired behaviours and values |
| Risk management | Identifying and managing key strategic risks |

1. Committee members are expected to:
	* + act with honesty, integrity and in the best interests of OPC;
		+ declare any conflict of interest;
		+ ensure they make sufficient time to prepare for meetings to enable meaningful discussions;
		+ ensure they are available to attend meetings on time and for the duration (unless agreed in advance);
		+ exercise sound judgement and decision making;
		+ be proactive in identifying issues and risks that require further attention;
		+ ask relevant questions and effectively evaluate answers;
		+ express opinions frankly in a professional manner; and
		+ encourage openness and transparency.
2. The Chair is responsible for ensuring:
	* + members model the principles outlined above, including ensuring that members declare any potential or actual conflict of interest and that appropriate action is taken where a conflict is declared;
		+ the Committee’s internal reporting obligations are met;
		+ Committee performance is reviewed; and
		+ that significant issues and risks requiring consideration are brought to the attention of the FPC as soon as possible.

Part 3—Administrative arrangements

Annual work plan

1. Each year the Committee will endorse a forward work plan that outlines the meeting schedule, agenda items and the activities to be undertaken to ensure the Committee achieves the functions of its Charter.

Induction for new members

1. The Secretariat will provide new members with a package of corporate information including governance policy documents, Internal Audit plan, ANAO Financial Statement documents and Committee minutes and a briefing from FPC on their appointment to assist them to meet their Committee responsibilities.

Meetings

1. The Committee will meet at least four times a year, plus a special meeting for financial statements and performance statements. The Committee will meet at such times as the Chair of the Committee considers necessary or as FPC requests.
2. A quorum consists of two members. The quorum must be in place at all times during the meeting.
3. Meeting dates will be agreed by the Committee members, and agenda items agreed with the Chair.

Secretariat

1. The General Manager, Corporate is responsible for the Secretariat for the Committee and will arrange:
	* + secretariat support to the Committee;
		+ the circulation of the agenda and supporting papers for each meeting, after approval by the Chair of the Committee;
		+ the circulation of the agenda and supporting papers one week before the meeting, where practicable;
		+ the preparation of minutes of each meeting;
		+ the circulation of the minutes to each member and attendees, as appropriate, as soon as practicable after they have been approved by the Chair of the Committee; and
		+ maintenance of the register of members.

Assessing committee performance

1. The Chair of the Committee in consultation with FPC, will undertake a review of the performance of the Committee at least every two years. The review will be undertaken on a self-assessment basis with appropriate input sought from FPC, Committee members, senior management, internal audit, the ANAO and any other relevant stakeholders, as determined by FPC.

Review of Charter

1. The Committee will review this Charter in consultation with FPC at least once a year. Any substantive changes will be recommended by the Committee and formally approved by FPC.

Meredith Leigh

First Parliamentary Counsel

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