



Audit and Assurance Committee Charter

Introduction

The Secretary has established the Audit and Assurance Committee (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 Act Rule 2014* (PGPA Rule).

Functions

The functions of the Committee are to review the appropriateness of the Department's:

- financial reporting
- performance reporting
- systems of risk oversight and management
- systems of internal control.

This Charter is principles based with an accompanying annual work plan detailing the activities the Committee will undertake in acquitting its functions. The Charter and annual work plan are approved by the Secretary.

Financial Reporting

The Committee, supported by the Financial Statements Sub Committee (FSSC), will provide written advice to the Secretary regarding the appropriateness of the Department's financial reporting as it relates to annual financial statements. This will include review of the Department's annual financial statements, including planning, assurance, risks, key accounting policies, significant accounting judgements and estimates, for preparation of the financial statements and supplementary reporting pack. The Committee will consider any issues which may prevent the signing of the Department's financial statements or relate to non-compliance with relevant legislation and guidance.

Performance Reporting

The Committee, supported by the Performance Reporting Sub Committee, will provide written advice to the Secretary regarding the appropriateness of the Department's performance reporting including the annual performance statement. This will include review of the Department's performance reporting framework, including compliance with relevant legislation and guidance, being fit for purpose and supported by appropriate systems, processes and controls to report results completely and accurately. It will also include consideration of the Department's approach for developing appropriate measures against which the Department assesses its performance.

System of Risk Oversight and Management

The Committee, supported by the Risk, Security and Governance Committee, will provide written advice to the Secretary on the appropriateness of the Department's system of risk oversight and management, including compliance with relevant legislation and guidance. This will include review of the Department's Risk Management Framework, Fraud Control Framework and consideration of the effectiveness of management's processes to identify and manage key risks, including those related to fraud.

System of Internal Control

The Committee will provide written advice to the Secretary on the appropriateness of the Department's system of internal control. Based on the results of the Department's Internal Audit and Assurance Plan, this will include review of key elements of the Department's internal control framework, such as relevant policies and procedures, internal controls and processes for monitoring the effectiveness of key controls and compliance with relevant policies and legislation. It will also include review of internal audit coverage, reporting and remedial action taken by management.

Internal Audit Function

The Committee will review the effectiveness of the internal audit function as a whole and advise on the:

- audit strategy adopted by internal audit and their systems and procedures, including independent review of the function from time to time
- proposed internal audit and assurance plan to ensure coverage takes into account the Department's key risks, including the adequacy of resources available to complete the plan. The Committee will be consulted on and recommend the approval of the internal audit and assurance plan to the Secretary
- findings of internal audits and management's response to the findings, including that the identified recommendations are being appropriately actioned
- overall achievements and performance of the internal function against approved plans.

To ensure that internal audit is operating without undue influence, the Committee will have a discussion with internal audit, at least once a year, without management in attendance and the Chair of the Committee shall be consulted on the appointment of the Chief Internal Auditor.

Australian National Audit Office (ANAO) – External Auditors

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

- provide input on planned ANAO financial statement and performance audit coverage
- through the FSSC, monitor management's responses and implementation of recommendations relating to all ANAO financial statement management letters and reports
- monitor management's responses and implementation of audit recommendations relating to ANAO performance audits
- meet privately with the ANAO at least once a year.

Membership

The Committee will consist of at least 5 external members, appointed by the Secretary. The Secretary will appoint an external Chair to the Committee. The Chair may choose to appoint a Deputy Chair, who will act as Chair in the absence of the Chair.

Committee members are appointed for an initial period of 3 years and can be re-appointed for a further period not exceeding 2 years. Members may be eligible for an extension beyond these initial terms after a review of their performance.

In appointing members, consideration will be given to ensuring there is an appropriate balance between continuity of membership, the contribution of fresh perspectives, and a suitable mix of qualifications, knowledge, skills and experience.

Advisors, as agreed by the Secretary and the Chair, may be appointed to support the Committee fulfil its functions. These advisors will receive all papers and attend all meetings but are not considered part of the quorum and do not have voting rights.

The members should collectively develop, possess and maintain a broad range of skills and experience relevant to the operations and governance of the Department, the environment in which the Department operates and the contribution that the Committee makes to the Department.

Members of the Committee are to:

- understand and observe the legal requirements of the PGPA Act, PGPA Rule and *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR)*, and any official guidance relevant to performing their functions
- gain a good understanding of the Department's functions, objectives and operational context
- act in best interests of the Department as a whole
- apply good analytical skills, objectivity and good judgement
- continuously build, apply and maintain appropriate experience and awareness of the Department's and the broader public sector operating context
- express opinions constructively and openly, raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry
- contribute the time required to meet their responsibilities.

The membership arrangements, including such things as remuneration, the qualifications, knowledge, skills or experience of members, is included in the Department's Annual Report.

Conduct of the Committee

The Committee is directly accountable to the Secretary for the performance of its functions.

It has no executive powers in relation to the operations of the Department. The Committee may only review the appropriateness of particular aspects of those operations, consistent with its functions, and advise the Secretary accordingly.

From time to time the Committee may seek advice from external specialists to assist discharge its functions. The engagement of external specialists must be authorised by the Secretary and comply with the Commonwealth Procurement Rules.

The Committee can call upon expert advice it determines is appropriate to enable it to satisfy its functions.

Relationships

In performing its responsibilities, the Committee will provide a forum for communication between the Secretary, senior managers and the internal and external auditors of the Department.

Management

To support the Department to achieve better business outcomes the Committee will engage with management in a timely, constructive and professional manner in discharging its advisory responsibilities and formulating its advice to the Secretary.

Management may present and/or provide reports to the Committee within the scope of its functions.

Governance Committees

The Committee will develop and maintain relationships with the strategic departmental committees to ensure a strategic approach is taken to providing assurance on the appropriateness of the Department's accountability and control frameworks. This may include members of the Committee being appointed as advisors or observers to these Committees. Members appointed on departmental committees will provide reports (written or verbal) back to the Committee.

The Committee recognises the role of the Risk, Security and Governance Committee (RSGC) has in informing its view in relation to systems of risk oversight and management and systems of internal control. To facilitate the timely exchange of information between the committees, the Committee will receive a report from the RSGC Chair (or equivalent) and share relevant information, including the minutes of meetings.

Authority

The Secretary authorises the Committee, in performing its functions, to:

- obtain any information it requires from any employee or external party (subject to any legal obligations to protect information)
- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations)
- request the attendance of any employee, including the accountable authority, at Committee meetings

- obtain legal or other professional advice, as considered necessary to meet its responsibilities.

Sub committees

The Committee, in consultation with the Secretary, may establish sub committees to assist it to fulfil its responsibilities. A member of the Committee may be appointed as the Chair of the sub committee.

The sub committee will document its responsibilities, membership and reporting arrangements for approval by the Committee.

The Chair of the sub committee will report to the Committee after each meeting. Any matter deemed of sufficient importance will be reported to the Secretary through the Chair of the Committee.

Reporting

The Chair will report to the Secretary after each meeting. Any matter deemed of sufficient importance will be reported to the Secretary immediately.

The Committee may, at any time, report to the Secretary on any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Secretary.

Annual Report

The Committee will report as often as necessary, and at least once a year in an annual report, to the Secretary and Executive Board on its operations and activities during the year to communicate their view on the appropriateness of the functions it reviews, including reference to any specific areas of concern or suggestions for improvement.

The PGPA amendments requires that the annual report of a Commonwealth entity will include:

- a direct electronic address of the Charter determining the functions of the Committee for the entity
- the name of each member of the Committee during the period
- the qualifications, knowledge, skills or experience of those members
- information about each of those members' attendance at meetings of the Committee during the period
- the remuneration of each of those members.

Conflicts of Interest

Members and advisors with an actual, perceived or potential conflict of interest will notify the Committee as soon as these issues become apparent. Conflicts of interest will be managed by the Chair in consultation with the Deputy Chair.

If the Chair has an actual, perceived or potential conflict it will be managed with the Secretary, or in the Secretary's absence the Deputy Chair.

At least once each year, members and advisors of the Committee will provide written declarations, through the Chair, declaring any perceived, potential or actual conflicts of interest they may have in relation to their responsibilities.

Access to and use of Information

Committee members must not use or disclose information obtained by the Committee except in meeting the Committee's responsibilities, or unless expressly agreed by the Secretary.

Assessing Performance

The Chair of the Committee will undertake a review of the performance of the Committee at least once every two years. The review will seek appropriate input from the Secretary, Committee members, advisors and observers, senior management and any other relevant stakeholders.

In addition, in consultation with the Secretary, periodic independent performance reviews may be undertaken.

The Chair will provide advice to the Secretary on a member's performance where an extension of the member's tenure is being considered.

Induction and Ongoing Awareness

The Committee will maintain a program of induction and awareness-raising for its members, with the objective of enabling the Committee to be aware of contemporary developments and leading practices in relation to its functions.

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

Review of Charter

The Charter will be updated as required, to reflect any changes in the Department's operating environment.

At least once a year the Committee will review this Charter. The Committee will recommend any substantive changes to the Secretary for approval.

Publication of the Charter

This Charter will be published in the Department's Annual Report.

Administrative Arrangements

Meetings

The Committee will meet at least four times per year. One or more special meetings may be held to review the Department's annual financial statements and performance statements or to meet other responsibilities of the Committee.

The Committee may also hold 'member only' sessions and consider matters out of session.

Information relating to members' meeting attendance for the reporting period is included in the Department's Annual Report.

The Chair is required to call a meeting if asked to do so by the Secretary and decide if a meeting is required if requested by another member, internal or external auditor.

The Secretary, Chief Operating Officer (however described), Chief Financial Officer, Chief Legal Officer, Chief Risk Officer, Chief Internal Auditor and Chief Information Officer may attend meetings as observers, as determined by the Chair, but will not be members of the Committee.

A representative of the ANAO may be invited to attend meetings of the Committee, as an observer.

Planning

The Committee will develop an annual meeting schedule that includes the dates, location, and proposed agenda items for each meeting for the forthcoming year, and that covers all the responsibilities outlined in this Charter and the Work Plan.

Quorum

A quorum for any Committee meeting will be a majority of members, one of whom must be the Chair or the Deputy Chair, and a majority of which must be external. The quorum must be in attendance at all times during the meeting.

Secretariat

Internal Audit will provide secretariat support to the Committee. The secretariat will:

- ensure the agenda and supporting papers are circulated at least one week before each meeting
- ensure the minutes of the meetings are prepared and maintained. The Chair will review the minutes for approval by the Committee
- assist in keeping the Secretary informed of the Committee's work
- on behalf of the Committee, maintain induction and ongoing awareness packs.

Maintenance of Records

The Committee Secretariat shall maintain records of all meeting papers and minutes, of the Committee's key functional and administrative arrangements (remuneration, reappointment, conflict of interest declarations,

etc.), reviews of the Committee and its Charter and any other material relevant to the conduct of the Committee or its meetings.

Approval

Approved by the Secretary, Dr Michele Bruniges AM, on 10 December 2021.