



**Australian Government**  
**Professional Services Review**



# AUDIT AND RISK COMMITTEE CHARTER

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The Director, Professional Services Review (PSR) has established the Audit and Risk Committee (the Committee) in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 17 – Audit Committee for Commonwealth entities of the *Public Governance, Performance and Accountability Rule 2014* (Rule).

This Charter sets out the Committee’s responsibilities, authority, membership and functions, and its procedural, reporting and administrative arrangements.

## 1. Responsibilities of the Committee

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The Committee’s responsibility is to provide independent assurance and advice to the Director, including reviewing the appropriateness of PSR’s financial and performance reporting, systems of risk oversight and management, and system of internal control.

The Committee is not responsible for the executive management of these functions, except for internal audit, over which the Committee exercises a governance role. The Committee will engage with management in a constructive and professional manner in discharging its assurance and advisory responsibilities and formulating its advice to the Director. Members of the Committee are expected to understand and observe the legal requirements of the PGPA Act and Rule. Members are also expected to:

- act in the best interests of PSR as a whole
- apply good analytical skills, objectivity, and good judgement
- express opinions constructively and openly, raise issues that relate to the Committee’s responsibilities and pursue independent lines of enquiry, and
- contribute the time required to meet their responsibilities.

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 Director.

## 2. Functions of the Committee

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Review the appropriateness of PSR's:

- a) **financial reporting** – including reviewing the financial statements and provide advice and assurance to the Director that they comply with the requirements of the PGPA Act and associated rules.
- b) **performance reporting** – including the framework for developing and reporting key performance indicators and PSR's annual performance statement.
- c) **system of risk oversight and management** – including whether:
  - i. PSR has a sound enterprise risk management framework and associated processes for effective identification and management of its business and financial risks, including those associated with individual projects and program implementation activities.
  - ii. the process for developing and implementing PSR's fraud and corruption control arrangement is sound, and that PSR has appropriate processes and systems in place to prevent, detect, deal with and report on fraud and corruption risks.
  - iii. Review reports on fraud from management that outline any significant or systemic allegations of fraud, the status of any ongoing investigations and any changes to identified fraud and corruption risk in PSR.
  - iv. Review whether management has adequately developed risk management capability in the entity and whether key roles, responsibilities and authorities relating to risk management are clearly articulated and adhered to in PSR.
- d) **system of internal control** – including consideration of:
  - i. the internal control framework
    - reviewing management'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, and
    - reviewing whether management has in operation relevant policies and procedures, including accountable authority instructions, delegations, a business continuity management plan, or bullying and harassment policies.
  - ii. legislative and policy compliance
    - reviewing the effectiveness of systems for monitoring PSR's compliance with laws, regulations, and associated government policies with which the entity must comply, and
    - determining whether management has adequately considered legal and compliance risks as part of PSR's enterprise risk management framework, fraud and corruption control framework and planning.

- iii. security compliance
  - reviewing management's approach to maintaining an effective internal security system, including complying with the Protective Security Policy Framework.
- iv. internal audit coverage
  - reviewing the proposed internal audit coverage, ensuring that the coverage takes into account PSR's primary risks, and recommending approval of the internal audit work plan by the Director, and
  - reviewing all internal audit reports, providing advice to the Director on major concerns identified in those reports, and recommending action on significant matters raised, including identification and dissemination of information on good practice.

The Committee provide a statement to the Director whether the Director's system of internal control is appropriate for the entity, with reference to any specific areas of concern or suggestions for improvement.

As far as is practicable, the Committee should indicate which matters it will consider during any given year in a forward plan, noting that it may consider other or additional matters in response to changes in PSR's operations and environment.

### **3. Authority**

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The Director authorises the Committee, within the scope of its role and responsibilities, to:

- obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information)
- discuss any matters with the ANAO, internal audit service provider or other external parties (subject to confidentiality considerations)
- request the attendance of any employee, including the Director, at committee meetings, and
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at PSR's expense.

## 4. Membership

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Section 17 of the Rule establishes the following requirements in relation to membership of audit committees:

### Membership of the Audit Committee

*(3) The audit committee must consist of at least three persons who have appropriate qualifications, knowledge, skills, or experience to assist the committee to perform its functions.*

*(4) If the entity is a non-corporate Commonwealth entity:*

- a) all the members of the audit committee must be persons who are not officials of the entity; and*
- b) a majority of the members must be persons who are not officials of any Commonwealth entity.*

...

*(4A) However, a person employed or engaged primarily for the purpose of being a member of the audit committee is to be treated, for the purpose of subsection (4) ..., as not being an official or employee of the entity.*

*(5) Despite subsections (3) to (4A), the following persons must not be a member of the audit committee:*

- a) the accountable authority or, if the accountable authority has more than one member, the head (however described) of the accountable authority;*
- b) the Chief Financial Officer (however described) of the entity;*
- c) the Chief Executive Officer (however described) of the entity.*

Committee members will be appointed for an initial three-year period by the Director. Members may be reappointed after a formal review of their performance with a maximum term of ten years. The Director may extend appointments beyond ten years where necessary for continuity. The Chair can advise the Director on independent member's performance where an extension of tenure is being considered.

Consistent with subsection 17(3) of the Rule the members, taken collectively, will have a broad range of knowledge, skills, and experience relevant to the operations of PSR, including its information technology environment. All members should be conversant with financial management reporting and at least one member of the committee should have accounting or related financial management experience and/or qualifications, and a comprehensive understanding of accounting and auditing standards.

The Director will appoint the Chair of the Committee, who will be one of the independent members.

Representatives from the Australian National Audit Office (ANAO) and external providers of internal audit services will not be members of the Committee, however, may attend relevant

committee meetings (in whole or in part) as observers, as determined by the Chair or by the Committee.

The Committee may meet separately with the internal and external auditors as deemed appropriate. The Director may be invited to attend committee meetings to participate in specific discussions or provide strategic briefings to the Committee.

## **5. Independence**

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

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

Responsibility for the appropriateness of PSR's financial reporting, performance reporting, system of risk oversight and management, and system of internal control rests with the Director and officials of PSR.

Members with a conflict of interest will notify the Committee as soon as these issues become apparent. Any member with a conflict of interest will absent themselves from discussions about relevant matters.

## **6. Meetings**

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The Committee will meet at least four times per year, and more often if required. Special meetings may be held to review PSR's annual financial statements and performance statements or to meet other specific responsibilities of the Committee.

The Chair will call a meeting if requested to do so by the Director and may call a meeting if requested by another Committee member.

A quorum will be a majority of members holding office at the time of the meeting.

## **7. Reporting**

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The Chair will report a matter deemed of sufficient importance to the Director.

The Committee will, as often as necessary, and at least once a year, report to the Director on its operation and activities during the year.

## **8. Secretariat**

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The Director will provide resources to provide secretariat support to the Committee. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated to all members, approximately one week before the meeting, and ensure the minutes of the meetings

are prepared and maintained. Minutes should be circulated to all members within two weeks of the meeting.

## 9. Conflicts of interest

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Once a year, Committee members will provide written declarations to the Chair for provision to the Director declaring any potential or actual conflicts of interest they may have in relation to their responsibilities.

Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

## 10. Review of performance

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The Chair of the Committee will initiate a review of the performance of the Committee at least once every two years. The outcomes of this assessment will be reported to the Director.

## 11. Review of the charter

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The Committee will review this charter at least once a year. This review will include consultation with the Director.

Any substantive changes to the charter will be recommended by the Committee and formally approved by the Director.

**Last endorsed:** 20 September 2024

**Due for next review:** September 2025

