



AUDIT AND RISK COMMITTEE CHARTER

The Chief Executive (Accountable Authority) of the Professional Services Review has established the Audit and Risk Committee (the Committee) in accordance with section 45(1) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

1. Objective

The objective of the Committee is to provide independent advice to the Accountable Authority (and to senior management) on the Agency's accountability and control framework, including independently verifying and safeguarding the integrity of an entity's financial and performance reporting.¹

2. Functions

Section 17(2) of the *Public Governance, Performance and Accountability Rule 2014* (the Rule) establishes mandatory functions for audit committees:

Functions of the Audit Committee

- 1) *The accountable authority of a Commonwealth entity must, by written charter, determine the functions of the audit committee for the entity.*
- 2) *The functions must include reviewing the appropriateness of the accountable authority's:*
 - a) *financial reporting; and*
 - b) *performance reporting; and*
 - c) *system of risk oversight and management; and*
 - d) *system of internal control*

for the entity.

¹ Resource Management Guide No. 202, *Audit committees for Commonwealth entities and Commonwealth companies*, June 2014, p3.

Consistent with subsection 17(2) of the Rule, the Accountable Authority has determined that the functions of the Audit and Risk Committee are to review and give independent advice and assurance about the appropriateness of the Agency's:

- a) **financial reporting** – including reviewing the annual audited financial statements and related management representations, and recommending the signing of those statements
- b) **performance reporting** – including the framework for developing and reporting key performance indicators and the Agency's annual performance statement
- c) **system of risk oversight and management** – including whether:
 - i. the Agency has a sound enterprise risk management framework and associated processes for effective identification and management of the its business and financial risks, including those associated with individual projects and program implementation activities
 - ii. the process for developing and implementing the Agency's fraud control arrangements is sound, and the Agency has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks.
- d) **system of internal control** – including consideration of:
 - i. the Agency's overall control environment, as reflected in its governance, risk management and compliance arrangements
 - ii. internal audit resourcing and coverage in relation to the Agency's key risks, and recommending approval of the Audit Work Program by the Accountable Authority
 - iii. internal and external audit reports, providing advice to the Accountable Authority about significant issues identified, and monitoring the implementation of agreed actions.

As far as is practicable, the Audit and Risk 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 the Agency's operations and environment.

3. Authority

The Accountable Authority 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 external auditor, internal audit service provider or other external parties (subject to confidentiality considerations);
- Request the attendance of any employee, including the Accountable Authority, at committee meetings; and

- Obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the Agency's expense.

4. Membership

Section 17 of the *Public Governance, Performance and Accountability Rule 2014* (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 3 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 of 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.*
- (4AA) *If the entity is a corporate Commonwealth entity, all of the members of the audit committee must be persons who are not employees of the 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) or (4AA), 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:*
- c) *the accountable authority or, if the accountable authority has more than one member, the head (however described) of the accountable authority;*
 - d) *the Chief Financial Officer (however described) of the entity;*
 - e) *the Chief Executive Officer (however described) of the entity.*

Committee members will be appointed for an initial three (3) year period by the Accountable Authority. Members may be reappointed after a formal review of their performance for an additional two (2), three (3) year period as specified by the Accountable Authority, with a maximum term of ten (10) years. The Accountable Authority may extend appointments beyond 10 years where necessary for continuity.

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 the Agency, 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 Accountable Authority 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 will meet separately with both the internal and external auditors at least once a year. The Accountable Authority may be invited to attend committee meetings to participate in specific discussions or provide strategic briefings to the committee.

5. Independence

The Audit and Risk Committee is directly accountable to the Accountable Authority for the performance of its functions.

The Audit and Risk Committee has no executive powers in relation to the operations of the Agency. The Audit and Risk Committee may only review the appropriateness of particular aspects of those operations, consistent with its functions, and advise the Accountable Authority accordingly.

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

Members with a conflict of interest will notify the Audit and Risk 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

The Committee will meet at least four times per year, and more often if required. Special meetings may be held to review the Agency'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 Accountable Authority, 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

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

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

8. Secretariat

The Accountable Authority will provide resources to provide secretariat support to the Committee. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, after approval from the Chair, approximately one week before the meeting, and ensure the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within four weeks of the meeting to each member and committee observers, as appropriate.

9. Conflicts of interest

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

Audit and Risk 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

The Chair of the Audit and Risk 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 Accountable Authority.

11. Review of the charter

At least once a year the Committee will review this charter. This review will include consultation with the Accountable Authority.

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

