



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

# Professional Services Review

## Audit Committee Charter

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

### Objective

The objective of the Committee is to provide independent advice and assurance to the Chief Executive (and to the Advisory Board and senior managers) on the Agency's accountability and control framework, including independently verifying and safeguarding the integrity of an entity's financial and performance reporting.<sup>1</sup>

### 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.*

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

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

- 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 it’s 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 Programme by the Chief Executive
  - iii. internal and external audit reports, providing advice to the Chief Executive about significant issues identified, and monitoring the implementation of agreed actions.

As far as is practicable, the Audit 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.

## **Authority**

The Chief Executive 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 Chief Executive, at committee meetings; and
- Obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the Agency’s expense.

## 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) On and after 1 July 2015, the majority of the members of the audit committee must:*
  - (a) for a non-corporate Commonwealth entity—be persons who are not officials of the entity;*  
*or*
  - (b) for a corporate Commonwealth entity—be persons who are not employees of the entity.*
- (5) Despite subsections (3) and (4), 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 period determined by the Chief Executive. Members may be re-appointed after a formal review of their performance for further periods as specified by the Chief Executive.

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 Chief Executive will appoint the Chair of the committee, who will be one of the independent members. The Chair must not be the same person as the Chair of the Advisory Board.

Representatives from the 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 Chief Executive may be invited to attend committee meetings to participate in specific discussions or provide strategic briefings to the committee.

## Independence

The Audit Committee is directly accountable to the Chief Executive for the performance of its functions.

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

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

## **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 Chief Executive, and may call a meeting if requested by another Committee member.

A quorum for any Audit Committee meeting will consist of two members, one of whom must be an independent member.

## **Reporting**

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

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

## **Secretariat**

The Chief Executive 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, at least 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 two weeks of the meeting to each member and committee observers, as appropriate.

## **Conflicts of interest**

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

Audit 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.

## **Review of performance**

The Chair of the Audit 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 Chief Executive.

## **Review of the charter**

At least once a year the committee will review this charter. This review will include consultation with the Chief Executive.

Any substantive changes to the charter will be recommended by the committee and formally approved by the Chief Executive.