PARLIAMENT OF AUSTRALIA

DEPARTMENT OF PARLIAMENTARY SERVICES

Audit Committee Charter

Contents

Introduction ***3***

1. Role and responsibilities **3**

Independence 3

2. Authority **3**

3. Membership and structure **4**

3.1 Membership 4

3.2 Observers 4

3.3 Qualifications, knowledge, skills and experience 4

4. Functions of the Committee **5**

4.1 Financial Reporting (PGPA Rule s17(2)(a)) 5

4.2 Performance reporting (PGPA Rule s17(2)(b)) 5

4.3 Systems of risk oversight and management (PGPA Rule s17(2)(c)) 6

4.4 System of internal control review (PGPA Rule s17(2)(d)) 6

4.5 Additional functions of the audit committee 7

5. Conduct of the audit committee **7**

5.1 Engagement with stakeholders 7

5.2 External Audit 7

5.3 Internal Audit 8

6. Administrative arrangements **8**

Introduction

The Secretary of the Department of Parliamentary Services has established an Audit 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).

This charter sets out the Committee's functions, conduct, authority, composition, roles and responsibilities, reporting and administrative arrangements to independently review and advise on key aspects of departmental operations.

1. Role and responsibilities

The role of the Committee is to provide independent advice to the Secretary on the appropriateness[1] of the Department's financial and performance reporting, system of risk oversight, and systems of internal control and other matters as detailed in this Charter.

Independence

The Committee has no executive powers in relation to the operations of the Department and is directly accountable to the Secretary for the performance of its functions as detailed in this Charter.

The Committee does not undertake management responsibilities and is not a substitute for normal management controls and accountabilities. The responsibility for the appropriateness of the Department's financial reporting, performance reporting, system of risk oversight and management, and system of internal control rests with the Secretary and officials 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.

2. Authority

The Secretary authorises the Committee, in the delivery of its functions outlined in the Charter, to:

- Obtain any information it requires from any official of the Department or other external parties (subject to any legal obligation to protect information). This includes the Portfolio Budget Statements, Corporate Plan, Annual Report, external and internal audit reports, relevant departmental and independent reviews and relevant Management briefings and reports including new initiatives such as major projects and business transformation
- discuss any matters with the Australian National Audit Office (ANAO) or other external parties (subject to confidentiality considerations)
- request the attendance of any Departmental official at the committee meetings, as appropriate, and
- obtain legal or other professional advice, as considered necessary to fulfil its role, at the Department's expense, subject to approval by the Secretary or authorised delegate.

[1] Macquarie Australia's National Dictionary, Concise Dictionary, Third Edition, *definition of 'appropriateness'*, p. 47.

3. Membership and structure

3.1 Membership

The Committee will consist of five members and are appointed for specified periods of time by the Secretary.

Until 30 June 2021, officials of the Department of Parliamentary Services may be appointed as a member of the Committee.

From 1 July 2021, all audit committee members must be persons who are not officials of the Department of Parliamentary Services and a majority of members must not be officials of any Commonwealth entity (PGPA Rule s17(4)) (independent).

The Secretary will appoint the Chair of the Committee from the independent members.

The Committee is authorised to appoint an independent Deputy Chair, who will act as Chair in the absence of the Chair.

Members cannot delegate their responsibilities as members of the Committee, and alternative or temporary members will not be appointed to meet quorum.

3.2 Observers

The Secretary, Deputy Secretary (Chief Operating Officer), First Assistant Secretary Finance and Property Services (Chief Financial Officer), the Chief Information Officer, Head of Internal Audit and other management representatives will not be members of the Committee (PGPA Rule 17(5)); but may attend meetings as observers as determined by the Chair.

Representatives of the ANAO and external providers of internal audit services will not be members of the Committee, but will be invited to attend Committee meetings as observers, as determined by the Chair.

3.3 Qualifications, knowledge, skills and experience

Collectively, the Committee will have a broad range of suitable skills and experience to enable the Committee to perform its functions, and must have three with appropriate qualifications, knowledge, skills or experience to assist the committee to perform its functions (PGPA Rule 17(3)).

It is expected that all members will understand and observe the Commonwealth's legislative environment and legal requirements of the PGPA Act and PGPA Rule; and be conversant with financial management reporting (PGPA (Financial Reporting) Rule 2015).

To ensure the Committee's collective qualifications, skills, knowledge and experience are appropriate to perform its functions; the Secretary will consider the skills matrix at **Appendix A**.

In appointing members to the Committee, the Secretary will have regard to:

- the Department's governance framework and assurance mechanisms
- the current skills, knowledge, experience and capabilities of the Committee, and any gaps in skills or competencies

- the appropriateness of their qualifications, knowledge, skills or experience to assist the Committee to perform its functions, and
- the key risks to the Department, including risks relating to program delivery and implementation.

Members are also expected to:

- gain a good understanding of the Department's functions, objectives and operational context
- act in the best interests of the Commonwealth
- apply good analytical skills, objectivity and good judgment
- express opinions constructively and raise issues that relate to the Department's responsibilities and pursue independent lines of enquiry, and
- contribute the time required to meet their responsibilities.

4. Functions of the Committee

4.1 Financial Reporting (PGPA Rule s17(2)(a))

The Committee will review and provide advice on the appropriateness of the Department's:

a. annual financial statements
b. information (other than annual financial statements) requested by Finance in preparing the Australian Government's consolidated financial statements, including the supplementary reporting package
c. processes and systems for preparing financial reporting information
d. financial record keeping, and
e. processes in place to allow the Department to stay informed throughout the year of any changes or additional requirements in relation to the financial reporting.

4.2 Performance reporting (PGPA Rule s17(2)(b))

The Committee will review and provide advice on the appropriateness of the Department's performance reporting, including:

a. systems and procedures for assessing, monitoring and reporting on achievement of the Department's performance. In particular, the committee should satisfy itself that:
    i. the Department's Portfolio Budget Statements and corporate plan contain appropriate details of how its performance will be measured and assessed
    ii. the Department's approach to measuring its performance throughout the financial year against the performance measures included in the Department's Portfolio Budget Statements and corporate plan is appropriate and in accordance with the *Commonwealth performance framework*, including reviewing, over time, particular elements of the performance measures, and

iii. the Department has appropriate systems and processes for preparation of its annual performance statement and inclusion of the statement in its annual report.

The Committee will review the annual performance statements and provide advice to the Secretary on their appropriateness to the Department.

4.3 Systems of risk oversight and management (PGPA Rule s17(2)(c))

The Committee will review the appropriateness of the Department's system of risk oversight and management. This would entail the Committee gaining a sufficient understanding of the Department's risk appetite and operating environment, and reviewing the mandatory requirements of the PGPA Act, the PGPA Rule, the Commonwealth Risk Management Policy and also consider advice in supporting guidance.

The Committee will review and provide advice on the appropriateness of the Department's:

a. enterprise risk management policy framework and the necessary internal controls for the effective identification and management of the Department's risks, in keeping with the Commonwealth Risk Management Policy (for NCEs)

b. approach to managing the Department's key risks; including those associated with individual projects and program implementation and activities

c. process for developing and implementing the Department's fraud control arrangements consistent with the fraud control framework, and satisfy itself that the Department has adequate processes for detecting, capturing and effectively responding to fraud risks, and

d. articulation of key roles and responsibilities relating to risk management and adherence to them by officials of the Department.

4.4 System of internal control review (PGPA Rule s17(2)(d))

The Committee will take a risk-based approach to reviewing the appropriateness the Department's system of internal control. This will include:

1 Internal Control Framework

a. reviewing management's approach to maintaining an effective financial and non-financial internal control framework and whether appropriate processes are in place for assessing whether key policies and procedures are complied with, and

b. reviewing whether management has in operation relevant policies and procedures; such as accountable authority instructions and delegations, as reflected in its governance framework

2 Legislative and Policy Compliance

a. reviewing management's approach to implementing controls and systems to ensure compliance with as well as monitoring compliance performance in relation to, legislation, regulations and Government policies which are relevant to the Department

b. reviewing the effectiveness of systems for monitoring the Department's compliance with laws, regulations and associated government policies with which the Department must comply, and

c. determining whether management has adequately considered legal and compliance risks as part of the Department's enterprise risk management framework, fraud control framework and planning.

3 Security Compliance

a. reviewing management's approach to maintaining an effective internal security system, including complying with the *Protective Security Policy Framework*.

4 Internal Audit

a. reviewing the proposed internal audit coverage, ensuring that the coverage takes into account the Department's primary risks, and recommending approval of the internal audit work plan by the Secretary

b. reviewing all internal audit reports, providing advice to the accountable authority on major concerns identified in those reports, and recommending action on significant matters raised—including identification and dissemination of information on good practice

4.5 Additional functions of the audit committee

The Secretary required the Committee to undertake the following additional functions beyond those prescribed in the PGPA Act:

1 Business continuity

The Committee is to satisfy itself that an appropriate approach has been taken in establishing business continuity planning arrangements; including whether business continuity and disaster recovery plans have been periodically updated and tested.

2 Ethical and lawful conduct

The Committee is to assess whether the Department has taken steps to embed a culture that promotes the proper use and management of public resources and is committed to ethical and lawful conduct.

3 Parliamentary committee reports, external reviews and evaluations

The Committee is to satisfy itself that the Department has appropriate mechanisms for reviewing relevant parliamentary committee reports, external ANAO reviews and evaluations of the Department and implementing, where appropriate, any resultant recommendations.

5. Conduct of the audit committee

5.1 Engagement with stakeholders

The Committee, through its Chair, is to develop a sound working relationship with the Secretary and is to ensure that the committee's work is responsive to the Secretary's expectations.

The Committee will meet with the Secretary at least once per year.

5.2 External Audit

The Committee is to engage with the ANAO, in relation to the ANAO's financial and performance audit coverage. In particular, the committee is to:

a. monitor management's responses to all ANAO management letters and audit reports, including the implementation of audit recommendations

b. provide advice to the Secretary on action to be taken on significant issues raised in relevant ANAO reports, and

c. meet privately with the ANAO at least once per year.

5.3 Internal Audit

The internal audit function is operationally independent from the committee and is led by the Chief Audit Executive (Head of Internal Audit). The Committee is to:

a. review the Internal Audit Charter annually to ensure appropriate authority, access and reporting arrangements are in place and that it accurately reflects the internal audit activities purpose, and report the outcome of the review to the Secretary

b. monitor management's implementation of internal audit recommendations and report the results to the Secretary

c. review an annual report from the external providers of internal audit services on the overall results of the internal audit work program, and

d. review the performance of internal auditor.

6. Administrative arrangements

1 Annual work plan and meeting schedule

The Committee will prepare an annual work plan and forward meeting schedule which outlines the activities to be undertaken by the Committee to achieve the Committee's functions.

2 Induction

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

3 Meetings

The Committee will meet at least four times per year, a special meeting may be held to review the department'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 Secretary, and may call a meeting if requested by another Committee member.

A quorum for any Committee meeting will be three members, two of whom must be independent members, one of whom must be the Chair or the Deputy Chair.

4 Secretariat

The Head of Internal Audit is to provide secretariat support to the committee.

The secretariat is to ensure consult with the Chair to maintain the Committee's planning and meeting schedule, and ensure:

a. the agenda for each meeting is approved by the Deputy Secretary and Chair prior to circulation

b. the agenda and supporting papers are circulated at least one week before the meeting

c. minutes of the meetings are prepared and maintained in accordance with the department's Records Management Policy, and

d. minutes are reviewed by the Chair and circulated within two weeks of the meeting to the Secretary, Member's, the Executive Committee and attendees, as appropriate. The minutes must be accompanied by a list of action items detailing matters requiring attention as a result of the Committee's deliberations.

5 Sub-committees

The Committee may establish sub-committees to support the performance of its functions, in consultation with the Secretary. Such sub-committees must be chaired by a member of the Committee. The establishment of such sub-committees does not change the Committee's functions under this Charter.

The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by the full Committee. The actions of the sub-committee will be reported to the Committee at each meeting.

6 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 will report to the Secretary annually on its functions and activities outlined in the annual work plan. This report is to be finalised at the Q1 Meeting each year and include a summary of the work performed by the Committee during the preceding year.

The report is to confirm that all functions have been addressed and is to include:

a. a summary of the work the Committee performed against each function to fully discharge its responsibilities during the preceding year, and

b. a summary of the Committee's assessment of the performance of the internal audit program, and, when conducted, the outcome of the committee self-assessment.

The Committee's report to the Secretary is to include the following statements:

a. as to whether the annual financial statements, in the committee's view, comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance and other information required by Finance

b. in respect of the appropriateness of the Department's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement

c. of the Audit Committee's view in relation to the appropriateness of the department's annual performance statements, and the performance reporting as a whole, comply with the PGPA Act and Rule, with reference to any specific areas of concern or suggestions for improvement

d. in relation to the appropriateness of the department's systems for risk oversight and risk management and any specific areas of concern or suggestions for improvement, and

e. in relation to the appropriateness of the department's systems for internal control, with reference to any specific areas of concern or suggestions for improvement.

7 Annual Report requirements

The following information will be published in the Departments Annual Report (PGPA Rule s17AG (2A):

a. electronic address of the Charter

b. the name of each member of the Committee during the relevant financial year

c. the qualifications, knowledge, skills or experience of those members

d. information about each of those members' attendance at meetings of the audit committee during the financial year, and

e. the remuneration of each of those members

8 Review of the charter

At least once a year the Committee will review this Charter in consultation with the Secretary. Any substantial changes are approved by the Secretary.

9 Disclosure 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 or as required by law.

10 Conflicts of interest

On engagement and each year thereafter, members of the committee and sub-committee(s) will provide written declarations, to the Chair for provision to the Secretary declaring any potential or actual conflicts of interest they may have in relation to their responsibilities. Members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Secretary, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each committee meeting, members, advisers and observers are required to declare any material personal interests that may apply to specific matters on the meeting agenda. Where required by the Chair, the member, adviser or observer is to be excused from the meeting or from the committee's consideration of the relevant agenda item(s).

The Chair is also responsible for deciding, in consultation with the Secretary where appropriate, if he/she should be excused from the meeting or from the committee's consideration of the relevant agenda item(s). Details of any material personal interests declared by the Chair and other members, and actions taken, are to be appropriately recorded in the minutes.

11 Assessment arrangements

The Chair of the Committee in consultation with the Secretary is to initiate a review of the performance of the Committee at least once every two years. The review is to be conducted on a self-assessment basis, with input sought from relevant stakeholders.

The outcome of this assessment will be reported in the Chair's annual to the Secretary.

12 Publication of the charter

This Charter will be published on the Australian Parliament House website and Department's intranet.

Date of effect:	1 July 2020	**Next Review**:	May 2021
Approved	Secretary	**File No:**	D20/150450
Contact	Secretariat DPS Audit Committee	**Extn:**	5023

Version Control:

Version No.	Version date	Name of contributor	Description
1.0		Secretary Approval	Final
2.0	July 2019	Secretary Approval	Final
3.0	May 2020	Lisa-sondra Robinson AC Secretariat	Annual review, legislative changes incorporated *Public Governance, Performance and Accountability Amendment (2020 Measures No. 1) Rule 2020*
	June 2020	Head of Internal Audit	For review and comment
	July 2020 October 2020	Audit Committee	For consideration.
	7 December 2020	Secretary Approval	Final for publication