



## Version 6

# Audit and Risk Committee Charter

The Parliamentary Budget Office's (PBO) Audit and Risk Committee (the Committee) has been established consistent with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule). This Charter outlines the Committee's role, responsibilities, composition and tenure, reporting and administrative arrangements.

Issued date:	Approved by:	Approval SP #:
29 March 2023	Parliamentary Budget Officer	ADM-1231474538-2506

<b>Role</b>	<b>2</b>
Responsibilities	2
<b>Financial reporting</b>	<b>2</b>
<b>Performance reporting</b>	<b>3</b>
<b>System of risk oversight and management</b>	<b>3</b>
<b>System of internal controls</b>	<b>4</b>
<b>Engagement with auditors</b>	<b>5</b>
Internal auditors	5
External auditors	5
<b>Composition and tenure</b>	<b>6</b>
Committee members and terms	6
Non-members – Observers/advisers	6
<b>Reporting</b>	<b>6</b>
<b>Administrative arrangements</b>	<b>7</b>
Meetings	7
Annual work plan	7
PBO Annual Report requirements	7
Attendance at meetings and quorums	7
Secretariat	7
Conflicts of interest	8
Assessment arrangements	8
<b>Review of the charter</b>	<b>8</b>

## Role

- 1 The role of the Committee is to provide independent advice to the Parliamentary Budget Officer on the appropriateness of the PBO's financial reporting, performance reporting system of risk oversight and management, and system of internal controls.
- 2 The Committee has no executive powers in relation to the operation of the PBO. It functions in an oversight and advisory role. The Parliamentary Budget Officer authorises the Committee, within the scope of its functions to seek any information it requires from PBO officials and external parties, including the Australian National Audit Office (ANAO).

## Responsibilities

- 3 The Committee is directly accountable to the Parliamentary Budget Officer in exercising its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for the management of the PBO rests with the Parliamentary Budget Officer, as the Accountable Authority.
- 4 Consistent with section 17 of the PGPA Rule, the core functions of the Committee are to review the appropriateness of the PBO's:
  - financial reporting
  - performance reporting
  - system of risk oversight and management, and
  - system of internal controls,

and provide its views to the Parliamentary Budget Officer on these matters, based on the Committee's inquiries, information provided to the Committee and internal audit coverage.

## Financial reporting

- 5 The Committee is required to review the appropriateness of the PBO's financial reporting by reviewing compliance with the PGPA Act, the PGPA Rule, the Accounting Standards and also consider advice given in supporting guidance.
- 6 The Committee will review the appropriateness of the PBO's:
  - annual financial statements
  - information (other than financial statements) required by the Department of Finance (Finance) for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package)
  - processes and systems for preparing financial reporting information, and
  - processes to allow the PBO to stay informed throughout the year of any change or additional requirements in relation to financial reporting.

- 7 Following the review referred to in the paragraph above, the Committee will provide a written statement to the Parliamentary Budget Officer as to whether:
- the annual financial statements, in the Committee’s view, comply with the PGPA Act, the PGPA Rule and the Accounting Standards
  - additional information (other than financial statements) required by Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package) complies with the PGPA Act, the PGPA Rule and the Accounting Standards, and
  - the PBO’s financial reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

## Performance reporting

- 8 The Committee is required to review the appropriateness of PBO’s performance reporting by reviewing compliance with the PGPA Act and the PGPA Rule and consider advice given in supporting guidance.
- 9 The Committee will review the appropriateness of the PBO’s:
- Portfolio Budget Statements (PBS) and Corporate Plan, including whether they contain appropriate details of how the PBO’s performance will be measured and assessed
  - approach to measuring its performance throughout the financial year against the performance measures included in its PBS and Corporate Plan, and
  - Annual Performance Statement, for inclusion in the PBO’s Annual Report, including whether it reflects the achievement of performance measured during the financial year.
- 10 Following the review referred to in the paragraph above, the Committee will provide a written statement to the Parliamentary Budget Officer as to whether:
- the PBO’s Annual Performance Statement, in the Committee’s view, is appropriate having regard to requirements prescribed by the PGPA Act and guidance issued by Finance pursuant to the PGPA Act, and
  - the PBO’s performance reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

## System of risk oversight and management

- 11 The Committee is required to review the appropriateness of PBO’s system of risk oversight and management by gaining sufficient understanding of:
- the PBO’s risk appetite and operating environment
  - reviewing reported compliance with the requirements of the Commonwealth Risk Management Policy, and

- advice in supporting guidance.

12 The Committee will review the appropriateness of the PBO's:

- risk management policy framework and the necessary internal controls for the effective identification and management of the PBO's risks, in accordance with the requirements of the Commonwealth Risk Management Policy
- approach to managing its key risks, including existing and potential controls
- process for developing and implementing the PBO's fraud control arrangements, consistent with the Commonwealth Fraud Control Framework, and satisfy itself that the PBO has adequate processes for detecting, capturing and effectively responding to fraud risks, and
- articulation of key roles and responsibilities relating to risk management by officials of the PBO.

13 Following the review referred to in the paragraph above, the Committee will provide a written statement to the Parliamentary Budget Officer as to whether the PBO's:

- risk management and fraud control frameworks, in the Committee's view, are appropriate, and
- system of risk oversight and management as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

## System of internal controls

14 The Committee is required to review the appropriateness of the PBO's system of internal control by gaining sufficient understanding of the PBO's operating context and governance requirements and by considering the advice in supporting guidance.

15 The Committee will review the appropriateness of the PBO's:

- **internal control framework** by considering:
  - the PBO's approach to maintaining an effective internal control framework and whether appropriate processes are in place for assessing compliance with key policies and procedures, and
  - whether the PBO has in operation current and relevant policies and procedures – such as Accountable Authority Instructions, delegations, business continuity plans, and human resource management policies.
- **legislative and policy compliance** by considering the effectiveness of systems monitoring the PBO's compliance with relevant laws, regulations and associated government policies
- **security compliance** by considering the PBO's approach to maintaining an effective internal security system (including ICT security policies and the Protective Security Policy Framework), and
- **internal audit coverage** by considering:
  - the proposed audit coverage, ensuring that the coverage takes into account the PBO's risks, and by recommending approval of the internal audit work plan by the Parliamentary Budget Officer, and

- all internal audit reports, providing advice to the Parliamentary Budget Officer on major concerns identified in those reports, and recommending action and good practice on significant matters raised.
- 16 Following the review referred to in the paragraph above, the Committee will provide a written statement to the Parliamentary Budget Officer, as to whether the PBO's system of internal control as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

## Engagement with auditors

### Internal auditors

- 17 The PBO's internal audit program provides independent advice and assurance in relation to evaluating and improving the effectiveness of controls, risk management and governance processes. The Committee will:
- suggest topics and review the proposed internal audit coverage in the internal audit plan
  - review all internal audit reports, providing advice to the Parliamentary Budget Officer on significant issues identified
  - monitor management's responses to all internal audit reports, including the implementation of audit recommendations
  - invite a senior executive of the engaged internal audit service provider to attend committee meetings as an observer, and
  - meet privately with the internal auditors, as appropriate and at least once per annum.

### External auditors

- 18 Representative(s) of external audit (ANAO) will engage with the Committee in relation to the ANAO's financial and performance audit coverage. The Committee will:
- monitor management's responses to all ANAO management letters and audit reports, including the implementation of audit recommendations
  - provide advice to the Parliamentary Budget Officer on action to be taken on significant issues raised in relevant ANAO reports
  - invite a representative of the ANAO to attend committee meetings as an observer, and
  - meet privately with the ANAO, as appropriate and at least once per annum.

## Composition and tenure

### Committee members and terms

- 19 In accordance with section 17 of the PGPA Rule, the Committee will comprise three members, appointed by the Parliamentary Budget Officer. The members must not be officials of the PBO, and a majority of members must be persons who are not officials of any Commonwealth entity.
- 20 Each member must have appropriate qualifications, knowledge, skills or experience to assist the Committee in performance its functions.
- 21 Members are appointed for an initial period not exceeding three years. Members may be reappointed by the Parliamentary Budget Officer, following a formal review of their performance for a further period not exceeding two years, unless otherwise agreed.

### Non-members – Observers/advisers

- 22 The Chief Financial Officer (CFO) may attend meetings as an adviser.
- 23 Senior management (SES) may be invited to attend meetings as advisers to provide updates on work activities and/or other topics as required.
- 24 Other officials of the PBO may also attend relevant meetings as observers to assist the committee in its functions.

## Reporting

- 25 In addition to the annual written statements referred to above, the Committee will report annually to the Parliamentary Budget Officer on its operations and activities during the calendar year. The report should include:
  - a summary of the work performed by the Committee in discharging its responsibilities during the preceding period against the annual work plan
  - details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended.
- 26 The Committee may, at any time, report to the Parliamentary Budget Officer on any other matter it deems of sufficient importance to do so. A Committee member may, at any time, request a meeting with the Parliamentary Budget Officer on matters concerning Committee business.

## Administrative arrangements

### Meetings

- 27 The Committee will meet at least four times per year.
- 28 Special meeting/s, in addition to the four regular meetings, may be convened to review the draft annual financial statements and/or Annual Performance Statement.
- 29 The Chair is required to call a meeting if requested by the Parliamentary Budget Officer. The Chair, at their discretion, may call a meeting at the request of another member.

### Annual work plan

- 30 The Committee will review and approve an annual work plan for the coming calendar year, outlining the proposed agenda items for each meeting to ensure that all responsibilities outlined in this Charter are covered.

### PBO Annual Report requirements

- 31 In accordance with the relevant sections of the *Public Governance, Performance and Accountability Amendment (2020 Measures No. 1) Rule 2020* (PGPA Rule Amendments), the PBO will ensure that the following information is published in the annual report:
  - a direct electronic address of this Charter, determining the functions of the Committee
  - the name of each member of the Committee during the reporting period
  - the qualifications, knowledge, skills or experience of each member
  - information about each members' attendance at the meetings during the period, and
  - the remuneration of each member.

### Attendance at meetings and quorums

- 32 A quorum will consist of two Committee members. In the absence of the Chair, the Chair will nominate another member to facilitate the meeting.

### Secretariat

- 33 The Corporate Strategy Branch will provide secretariat support to the Committee. The Secretariat will ensure:
  - the agenda for each meeting is approved by the Chair
  - the agenda and supporting papers are circulated at least one week prior to each meeting, and

- the minutes of the meeting are prepared and circulated to members within two weeks of the meeting for review.
- 34 The Secretariat will also provide new members with the relevant information and briefing on their appointment to assist them to meet their responsibilities.

## Conflicts of interest

- 35 Committee members will provide written declarations declaring any potential or actual conflicts of interest they may have in relation to their responsibilities. This may include past employment, consultancy arrangements or related party issues. The Chair should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.
- 36 At the beginning of each Committee meeting, members are required to declare any perceived or actual conflicts of interest that may apply to specific matters on the meeting agenda. In the event of perceived or actual conflicts of interest, the Chair may request that the member be excused from the meeting or from the Committee's consideration of the relevant agenda item(s). Details of the conflict declared by members and any action taken will be appropriately minuted.

## Assessment arrangements

- 37 The Chair, in consultation with the Parliamentary Budget Officer, will initiate a review of the performance of the Committee at least once every two years.
- 38 The review will be conducted on a self-assessment basis, unless otherwise determined by the Parliamentary Budget Officer. Input may be sought from the Parliamentary Budget Officer, Committee members, relevant PBO officials (such as the CFO), and the internal and external auditors.

## Review of the charter

- 39 This Charter will be reviewed annually, or as required.
- 40 Any substantive changes to the Charter will be recommended by the Committee and formally approved by the Parliamentary Budget Officer.