

Treasury Audit Committee Charter

The Secretary of the Treasury has established the Audit Committee (Committee) pursuant to Subsection 45(1) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and in accordance with Section 17 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule).

Role

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

To preserve its independence, the Committee has no executive management responsibilities.

Responsibilities of Committee Members

Members of the Committee and sub-committee(s) are expected to understand and observe the requirements of the PGPA Act and PGPA Rule. Members are also expected to:

- have a good understanding of the Treasury's functions, objectives and operational context;
- act in the best interests of the Treasury and the Commonwealth;
- form an independent and objective judgment regarding the advice related to its functions;
- 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.

Authority

The Secretary authorises the Committee, in accordance with its role and responsibilities, to:

- obtain any information it requires from any official or external party (subject to any legal obligation to protect information);
- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- request the attendance of any official, including the Secretary, at Committee meetings;
- seek attestations or certifications from management to assist in forming its view; and
- obtain legal or other professional advice, as considered necessary to fulfil its responsibilities.

Composition and Tenure

The Committee comprises three members and is supported by two advisers, appointed by the Secretary.¹ This includes an external member as Chair, two additional external members and two internal advisers.

The members, taken collectively, will have a broad range of qualifications, skills and / or experience to enable the Committee to perform its functions, including but not limited to an understanding of: the Treasury's legislative environment; the Commonwealth's requirements for financial and performance measurement and reporting; auditing and accounting standards and their relevance to the preparation of financial statements; sound practice in risk management, internal control and assurance; and the role of audit.

¹ The Audit Committee may have a temporary increase in the number of members as a result of staggering the rotation of members.

The Secretary, Deputy Secretary Corporate and Foreign Investment Group (CFIG), Chief Financial Officer, Chief Information Officer or other management representatives may attend meetings as observers, as determined by the Chair, but will not be members of the Committee. Representatives of the internal auditor and external auditor will be invited to attend meetings of the Committee as observers.

Members will be appointed for an initial period not exceeding two years. Members may be re-appointed after a review of their performance, for further periods as specified by the Secretary.

Functions of the Audit Committee

The four functions outlined below are mandated in the PGPA Act and PGPA Rule. In its independent capacity, applying its collective skills and experience, and with an understanding of the operating context of the Treasury, the Committee will review the information provided to it by the internal auditor and the Treasury's management in relation to the Treasury's processes and systems in support of these functions.

Financial Reporting [PGPA Act Rule 17(2)(a)]

Review the financial statements and provide independent advice to the Secretary on its view of the appropriateness of the Treasury's:

- annual financial statements, specifically that:
 - any new reporting requirements have been identified and adequately explained;
 - all reports comply with the PGPA Act, PGPA Rules, Accounting Standards and supporting guidance;
 - balances involving significant judgement and estimation are adequately supported;
 - all significant or unusual transactions have been adequately explained;
 - effective quality assurance processes have been followed; and
 - any significant changes to accounting policies for annual financial statements are disclosed;
- provision of information to the Department of Finance to prepare the Australian Government's consolidated financial statements, including the supplementary reporting package;
- processes and systems for preparing financial reporting information including:
 - staying informed of any changes or additional requirements to financial reporting; and
 - financial record keeping.
- action in response to any issues raised by the external auditor, including financial statement adjustments or revised disclosures; and
- processes to ensure that financial information included in the Treasury's Annual Report is consistent with the signed financial statements.

Performance Reporting [PGPA Act Rule 17(2)(b)]

Review the performance information, systems and framework, and provide independent advice to the Secretary on its view of the appropriateness of the Treasury's:

- systems and procedures for assessing, monitoring and reporting the achievement of the Treasury's performance, and determine that:
 - the Portfolio Budget Statements and Corporate Plan contain appropriate details of how the Treasury will achieve its purposes and measure and assess its performance;

- the approach to measuring performance covers the whole performance reporting lifecycle and is appropriate and in accordance with the Commonwealth performance framework guidance; and
- appropriate records are maintained to enable the preparation of the annual performance statements and systems and processes are in place for inclusion of the statements in the annual report.

System of Risk Oversight and Management [PGPA Act Rule 17(2)(c)]

Review the system of risk oversight and management and provide independent advice to the Secretary on the appropriateness of the Treasury's:

- enterprise risk management policy framework and the necessary internal controls for the identification and management of the Treasury's key risks, including emerging risks and risks associated with significant projects and program implementation activities, in accordance with the *Commonwealth Risk Management Policy*;
- risk management capability and whether key roles, responsibilities and authorities relating to risk management are clearly articulated and adhered to;
- approach for reporting on the management of risks to support the Secretary's role in oversight of risk management; and

approach to business continuity and disaster recovery management, including its ongoing maintenance and periodic testing.

System of Internal Control [PGPA Act Rule 17(2)(d)]

Review the internal control framework and provide independent advice to the Secretary on the appropriateness of the Treasury's:

- approach to maintaining an effective internal control framework;
- approach to implementing controls and systems to ensure compliance with, as well as monitoring compliance performance in relation to, significant and enabling legislation, regulations and Government policies, such as the PGPA Act, *Work Health and Safety Act 2011*, *Privacy Act 1988*, *Freedom of Information Act 1982*, *Protective Security Policy Framework*, the finance law and *Commonwealth Fraud Control Framework*;
- processes for developing and implementing the Treasury's fraud control arrangements, including detecting, capturing and responding to fraud risk, in accordance with the Commonwealth Fraud Control Framework;
- consideration of legislative compliance risks within the internal control framework, fraud control framework and planning is adequate; and
- internal audit planning to ensure coverage and alignment with the Treasury's key risks, reporting on major concerns identified in internal audit reports, and recommending action on significant matters raised, and dissemination of information on good practice.

The Committee will take a risk-based approach to its program of work to achieve its functions each year.

Additional Responsibilities

The Secretary requires the Committee to undertake the following additional functions beyond those prescribed by the PGPA Rule.

Internal Audit

- Review internal audit protocols to ensure appropriate authority, access and reporting arrangements are in place.
- Monitor management's implementation of internal audit recommendations and report the results to the Secretary.
- Periodically review the performance of the internal auditor.
- Review an annual report from the internal auditor on the overall state of the Treasury's internal controls.
- Meet privately with the internal auditor at least once per year.

External Audit

- Review all external audit plans and reports in respect of planned or completed audits relevant to the Treasury.
- Monitor management's responses to all external auditor financial statement management letters and performance audit reports, including the implementation of audit recommendations.
- Meet privately with the external auditor at least once per year.

Administrative Arrangements

Induction

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

Planning

The Committee will develop a forward work plan that includes the dates and proposed agenda items for each meeting for the forthcoming year and that covers all the functions outlined in this Charter. The timing of work will align with the approval and / or publication of information to support the Treasury's obligations.

Meetings

The Committee will meet at least four times per year. Meetings will generally be conducted on a face-to-face basis, however, where necessary and with the approval of the Chair, meeting attendance can involve teleconferencing and email communication. With the approval of the Chair, the Committee can also agree items out-of-session by email communication.

A quorum will consist of a majority of Committee members. The Chair is authorised to appoint an external member to act as Chair in the Chair's absence.

The Chair is required to call a meeting if asked to do so by the Secretary, and decide if a meeting is required if requested by another member, the internal auditor or the external auditor.

Secretariat

The secretariat will: consult with the Chair to maintain the Committee's planning and meeting schedule; ensure the agenda for each meeting is approved by the Chair; obtain information relevant to the agenda; ensure the Committee papers are circulated at least one week before the meeting; and ensure minutes are prepared and maintained. Minutes must be reviewed by the Chair and circulated, in a timely manner, to Committee members, observers and the Executive Board.

Reporting

The Committee will report to the Secretary in writing annually regarding the four functions outlined above and provide other reporting and advices periodically, as required to discharge its responsibilities. In relation to its functions, the Committee will provide statements to the Secretary as follows:

Financial Reporting [PGPA Act Rule 17(2)(a)]

- whether the annual financial statements, in the Committee's view, comply with the PGPA Act, the PGPA Rule, the Accounting Standards and supporting guidance;
- whether additional entity information (other than financial statements) required by Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package) comply with the PGPA Act, the PGPA Rule, the Accounting Standards and supporting guidance;
- in respect of the appropriateness of the Treasury's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

Performance Reporting [PGPA Act Rule 17(2)(b)]

- whether, in the Committee's view, the Secretary's annual performance statements and performance reporting as a whole is appropriate.

System of Risk Oversight and Management [PGPA Act Rule 17(2)(c)]

- whether, in the Committee's view, the Secretary's system of risk oversight and management as a whole is appropriate with reference to the Commonwealth Risk Management Policy.

System of Internal Control [PGPA Act Rule 17(2)(d)]

- whether the Secretary's system of internal control is appropriate for the Treasury.

The Committee may, at any time, report to the Secretary any other matter it deems of sufficient importance to do so.

In providing its view to the Secretary, the Committee should also note any areas of concern, non-remediation of significant recommendations, and / or suggestions for system or process improvement.

Sub-committees

The Committee may establish one or more sub-committee(s), in consultation with the Deputy Secretary CFGI, to assist it in meeting its responsibilities.

The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by the full Committee. Sub-committees are to develop their own Terms of Reference, to be reviewed annually by the Audit Committee.

The Committee stipulates that:

- the Chair of the Committee is appointed as Chair of the sub-committee;
- the membership of sub-committees could extend beyond members of the Committee if additional expertise on particular matters is required; and
- minutes of all meetings of sub-committees are taken, distributed promptly to all members of the Committee and tabled for discussion at the next Committee meeting.

Sub-committees should not assume any management functions nor should management exert inappropriate influence over the work of sub-committees.

Review of Charter

The Committee will review the Charter annually. Substantive changes are to be approved by the Secretary.

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.

Conflicts of Interest

On engagement and each year thereafter, members of the Committee and its 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. External members should consider past employment, consultancy arrangements and related party issues in making these declarations and 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 or sub-committee meeting, members are required to declare any potential or actual conflicts of interest that may apply to specific matters on the meeting agenda. Where required by the Chair, the member will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s). Details of potential or actual conflicts of interest declared by members of the Committee and its sub-committee(s) and action taken will be appropriately reflected in the minutes.

Assessment Arrangements

The Chair of the Committee, in consultation with the Secretary, will initiate a performance review of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Secretary) with appropriate input sought from the Secretary, Committee members, management, the internal and external auditors, the Chief Financial Officer and any other relevant stakeholders, as determined by the Secretary.

The Chair will provide advice to the Secretary on an external member's performance where an extension of the member's tenure is being considered.