

## Treasury Audit and Risk Committee Charter

<b>External Chair</b>	As appointed by the Secretary Current: Don Cross
<b>Terms of Reference Updated</b>	23 November 2022
<b>Secretariat</b>	Strategic Secretariat, Executive Coordination and Governance Branch
<b>Reporting Line</b>	The Audit and Risk Committee reports directly to the Secretary
<b>Meeting Frequency</b>	The Committee will convene at least four times per year

### Purpose

The Secretary of the Treasury has established the Audit and Risk 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).

The Committee is directly accountable to the Secretary for the performance of its functions. The Committee has no managerial responsibilities and does not make decisions in relation to Treasury's processes and functions.

### Key Activities and Deliverables

Consistent with Subsection 17(2) of the PGPA Rule, the role of the Committee is to provide independent advice to the Secretary on the appropriateness of the department's financial reporting, performance reporting, system of risk oversight and management, and the system of internal control.

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

The Committee will review the financial statements and provide independent advice to the Secretary on its view of the appropriateness of the department's:

- annual financial statements and additional information required by the Department of Finance to prepare the Australian Government's consolidated financial statements, including the supplementary reporting package, specifically that they comply with the PGPA Act, PGPA Rules, Accounting Standards and supporting guidance;
- action in response to any issues raised by the external auditor, including financial statements adjustments or revised disclosures;
- processes to ensure that financial information included in the Treasury's Annual Report is consistent with the signed financial statements; and
- financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

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

The Committee will review the performance information, systems and framework, and provide independent advice to the Secretary on its view of the appropriateness of the department'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.
- Annual Performance Statements and performance reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

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

The Committee will review the system of risk oversight and management and provide independent advice to the Secretary on the appropriateness of the department'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;
- 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;
- approach to business continuity and disaster recovery management, including its ongoing maintenance and periodic testing; and
- systems for risk oversight and risk management as a whole, with reference to the Commonwealth Risk Management Policy any specific areas of concern or suggestions for improvement.

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

The Committee will review the internal control framework and provide independent advice to the Secretary on the appropriateness of the department's:

- approach to maintaining an effective internal control framework;
- processes for ensuring relevant policies and procedures - such as accountable authority instructions, delegations and other key policies - are reviewed regularly and kept up to date;
- 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 *Work Health and Safety Act 2011*, *Privacy Act 1988*, *Freedom of Information Act 1982*, Protective Security Policy Framework, the finance law (including the PGPA Act) and Commonwealth Fraud Control Framework;
- consideration of legislative compliance risks within the internal control framework, fraud control framework and planning;
- approach taken in establishing business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested;
- steps taken to embed a culture that promotes the proper use and management of public resources and is committed to ethical and lawful conduct;
- approach to maintaining an effective internal security system, including complying with the Protective Security Policy Framework, and ICT security policy;

- 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;
- processes for monitoring the implementation of internal audit recommendations and external reports and recommendations of relevance to the department; particularly those of Parliamentary Committees and the ANAO;
- systems for internal control, with reference to any specific areas of concern or suggestions for improvement.

### **Additional Responsibilities**

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

#### **Internal Audit**

- Monitor management's implementation of internal audit recommendations and report the results to the Secretary.
- Periodically review the performance of the internal auditor.
- Review reports from the internal auditor on the overall state of the Treasury's internal controls on an annual basis.
- Meet privately with the internal auditor at least once per year, if required.

#### **External Audit**

- Monitor management's responses to all external auditor financial statements management letters and performance audit reports, including the implementation of audit recommendations.
- Meet privately with the external auditor at least once per year, if required.

### **Sub-Committees**

The Committee may establish sub-committees to support the performance of its functions. The establishment of such sub-committees does not change the Committee's responsibilities under this Charter.

The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by the Committee.

### **Membership**

In accordance with Subsection 17(3) and Subsection 17(4) of the PGPA Rule, membership of the Audit and Risk Committee must consist of at least three persons who are not officials of the agency; and a majority of the members must be persons who are not officials of any Commonwealth entity.

Committee membership is comprised of an external member as Chair and two additional external members. Whilst not members of the Audit and Risk Committee, the department will appoint two internal advisers to attend meetings.

Members of the Committee are expected to understand and observe the legal 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.

The Secretary, Deputy Secretary Corporate and Foreign Investment Group (CFIG), Chief Operating Officer, 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.

### **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.

### **Administrative Arrangements**

#### **Meetings**

The Committee will convene at least four times per year. Meetings will be conducted on a face-to-face basis and / or by video or teleconference, as necessary. 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.

#### **Forward Work Plan**

The Committee will develop an annual work plan, detailing activities to be undertaken in order to address the functions outlined in this Charter. The forward work plan will be used as the basis to drive and shape the agenda for upcoming meetings.

Additional or emerging items will be added to the forward work plan if approved by the Chair.

#### **Secretariat Support**

The Department will provide secretariat services to the Audit and Risk Committee. The Secretariat will ensure the Chair approves the agenda for each meeting; the agenda and supporting papers are circulated at least five business days before each meeting; and the minutes of each meeting are prepared and maintained. Minutes must be reviewed by the Chair and circulated in a timely manner to each member prior to being included in the papers for the next meeting.

The Secretariat will maintain records in accordance with the Department's obligations under the *Archives Act 1983* and Section 37 of the *Public Governance, Performance and Accountability Act 2013*.

**Induction**

New members will be provided appropriate induction materials and briefings.

**Reporting**

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

The Committee will, as often as necessary, and at least once a year, report to the Secretary on its operation and activities against the responsibilities outlined in this Charter. 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.

**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.

**Committee Assessment**

The Chair 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 Secretary. The review will be conducted on a self-assessment basis with appropriate input sought from Committee members, senior management, the internal auditor, external auditor, and any other relevant stakeholders, as determined by the Secretary or their delegate.

**Review of this Charter**

The Audit and Risk Committee will review the appropriateness of this Charter annually and recommend any substantive changes for consideration by the Secretary.