

OFFICIAL



Australian Government
Department of Foreign Affairs and Trade

Audit and Risk Committee Charter

April 2023

Signed

A handwritten signature in blue ink, appearing to read 'Jan Adams', written over a horizontal dotted line.

Jan Adams
Secretary

April 2023

1. Purpose

1.1 The Secretary (the accountable authority) of the Department of Foreign Affairs and Trade (DFAT) has established the Audit and Risk 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* (PGPA Rule).

2. Role

2.1 The Committee's role is to provide independent advice to the Secretary (and Departmental Executive) on the appropriateness of DFAT's financial and performance reporting, risk oversight and management, and system of internal control to enable the Department to meet its external accountability responsibilities.

2.2 The Committee has no executive management powers. In relation to DFAT's internal audit function, the Committee will provide oversight and guidance, and the Chair will advise the Chief Operating Officer and the Secretary on matters related to the independence and performance of the function.

2.3 The Committee is directly responsible and accountable to the Secretary for the exercise of its functions.

3. Authority

3.1 The Secretary authorises the Committee, in accordance with its role and functions, 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 Australian National Audit Office (ANAO), or other external parties (subject to confidentiality considerations)
- » request the attendance of any official, including the Secretary, at committee meetings
- » obtain legal or other professional advice, as considered necessary to fulfil its role, at DFAT's expense, subject to approval by the Secretary or delegate.

3.2 The Committee and management will engage in a constructive and professional manner to enable the Committee to discharge its functions.

4. Functions

4.1 The functions of the Committee are to review and provide advice to the Secretary on the appropriateness¹ of DFAT's:

¹ Guidance from the Department of Finance advises that 'appropriateness' has the ordinary meaning of fitness-for-purpose

4.2 Financial Reporting

4.2.1 The PGPA Rule requires that the audit committee review and advise on the appropriateness of the accountable authority's financial reporting for the entity. This would entail the audit committee reviewing compliance with the mandatory requirements of the PGPA Act, the PGPA Rule, the Accounting Standards and also consider advice given in supporting guidance.

4.2.2 Financial reporting includes the annual audited financial statements and supplementary reporting pack, and processes and systems for preparing financial information.²

4.3 Performance Reporting

4.3.1 The PGPA Rule requires that the audit committee review and advise on the appropriateness of the accountable authority's performance reporting for the entity. This would entail the audit committee reviewing DFAT's compliance with the mandatory requirements of the PGPA Act, the PGPA Rule, as well as the Commonwealth performance framework and considering advice given in supporting guidance. The review would include information provided in the Corporate Plan, the Portfolio Budget Statement and the Annual Performance Statements.

4.3.2 The Committee will consider how DFAT's performance will be assessed and the effectiveness of systems and procedures for measuring, monitoring and reporting key performance indicators.³

4.4 Systems of Risk Oversight and Management

4.4.1 The PGPA Rule requires that the audit committee review and advise on the appropriateness of the accountable authority's system of risk oversight and management for the entity. This would entail the audit committee gaining a sufficient understanding of the accountable authority's risk appetite and the entity's operating environment, and reviewing the mandatory requirements of the PGPA Act, the PGPA Rule, the Commonwealth Risk Management Policy (mandatory for NCEs and a better practice for CCEs) and also consider advice in supporting guidance.

4.4.2 The Systems of Risk Oversight and Management Include the enterprise risk management framework and related controls, DFAT's approach to management of major risks including program and project risks; and counter-fraud and anti-corruption arrangements.

4.5 System of Internal Control

4.5.1 The PGPA Rule requires that the audit committee review and advise on the appropriateness of the accountable authority's system of internal control for the entity. This would entail an audit committee gaining a sufficient understanding of the entity's operating context, governance requirements, and reviewing the mandatory requirements of the PGPA Act, the PGPA Rule and also consider advice in supporting guidance.

4.5.2 The control environment includes (but is not limited to):

² For further explanation refer Financial Reporting Sub-Committee Terms of Reference.

³ For further explanation refer Performance Reporting Sub-Committee Terms of Reference.

- » Governance arrangements in support of the overall system of internal control
- » Internal Control Framework (including policies, procedures, and management approach to assessing compliance)
- » Arrangements to ensure Legislative and Policy Compliance
- » Internal audit resourcing and coverage
- » Internal Audit reports and communications
- » Arrangements to ensure implementation of recommendations from internal and external audits
- » Arrangements to ensure Security compliance (including complying with the Protective Security Policy Framework)
- » Business continuity and disaster recovery planning
- » Culture with reference to promoting ethical and lawful conduct
- » Mechanisms for review and implementation of recommendations from Parliamentary committee reports and external reviews.

4.6 Annual Work plan

4.6.1 The Committee will develop and maintain an annual work plan detailing activities to be undertaken to address the functions outlined in this Charter.

5. Membership and Tenure

5.1 The Committee will comprise a minimum of three persons appointed by the Secretary, who are not officials of the agency.⁴ A majority of members must not be officials of any Commonwealth entity.⁵ Membership of the Committee may temporarily increase as a result of staggering the rotation of members.

5.2 Members of the Committee will have appropriate qualifications, knowledge, skills or experience and are expected to understand and observe the legal requirements of the PGPA Act and Rule. Members are also expected to:

- » act in the best interests of DFAT as a whole
- » apply good analytical skills, objectivity and good judgement
- » express opinions constructively and openly, raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry
- » engage in the work of subcommittees
- » maintain a good understanding of DFAT's operating context
- » contribute the time required to meet their responsibilities.

⁴ In accordance with Section 17(3) and sub-section 17(4) of the PGPA Rule.

⁵ In accordance with Section 17(5) of PGPA Rule.

5.3 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.

5.4 Committee members including the Chair will be appointed for an initial period of three years and not more than five years. Members may be eligible for extension or re-appointment for a further period as approved by the Secretary. The total term of Committee membership will not exceed eight years.

6. Sub-Committees

6.1 The Committee may establish one or more sub-committees to assist the full Committee in meeting its responsibilities, in consultation with the Secretary.

6.2 The terms of reference, membership requirements and reporting arrangements for each sub-committee shall be documented and approved by the full Committee.

7. Reporting

7.1 The Committee will, as often as necessary, and at least once a year, report to the Secretary on its activities and achievements of functions, as outlined in this Charter.

8. Administrative Arrangements

8.1 Meetings

8.1.1 The Committee will convene at least five times per year.

8.1.2 A quorum will consist of a majority of Committee members. The quorum must be in place at all times during the meeting. Members are not permitted to nominate other people to represent them at meetings.

8.1.3 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, Internal Audit or the ANAO.

8.1.4 The Chair is authorised to appoint another member to act as Chair in their absence.

8.1.5 The Chair will determine who will attend meetings as advisers or observers to present papers or answer the Committee's inquiries.

8.1.6 The Secretary, or their proxy, may attend meetings as an observer. The Chief Auditor (CA) and representatives of the ANAO will be invited to attend meetings as an observer.

- » The role of observers is to provide information or reports to the Committee. Observers are not members but may be given the right to comment or participate with the agreement of the Chair.

8.2 Secretariat

8.2.1 The Chief Auditor will ensure the provision of secretariat services to the Committee, including induction of new members, recording of minutes, coordination of agendas and circulation of papers.

8.3 Conflicts of Interest

8.3.1 Chair and/or Committee members with an actual or perceived conflict will notify the Chair/Committee as soon as these issues become apparent and shall complete annual declarations. Conflicts of interest will be managed as directed by the Chair or Acting Chair in the event that the Chair identifies a conflict.

8.4 Review and Assessing Committee Performance

8.4.1 The Chair of the Committee will undertake a review of the performance 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 key stakeholders.

8.4.2 The Chair will provide advice to the Secretary on the Committee's performance, and on a member's performance where an extension of the member's tenure is being considered.

8.5 Review of Charter

8.5.1 The Committee will review this Charter at least once every two years.

8.5.2 Any substantive changes to the Charter will be recommended by the Committee for formal approval by the Secretary.