

OFFICIAL



PARLIAMENT OF AUSTRALIA

DEPARTMENT OF PARLIAMENTARY SERVICES



Audit and Risk Committee (ARC) Charter 2023-24

Date: 18 December 2023
Approved: Secretary

Contact: ARC Secretariat
File: D23/255403

OFFICIAL

1. Purpose

The Secretary of the Department of Parliamentary Services (DPS) has established an Audit and Risk Committee (ARC) in accordance with section 45(1) 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 ARC's functions, conduct, authority, composition, roles, and responsibilities, reporting and administrative arrangements to independently review and advise on key aspects of departmental operations.

2. Role and responsibilities

The role of the DPS ARC is to provide independent advice on the appropriateness of DPS's financial and performance reporting, system of risk oversight, and systems of internal control and other matters as detailed in this Charter. The ARC is supported in discharging its responsibilities by the DPS internal audit function.

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

3. Authority

The Secretary authorises the ARC, in accordance with its roles and with its 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 attendance of any DPS official at ARC meetings
- obtain legal or other professional advice, as considered necessary to meet its obligations, at DPS expense, subject to the approval by the Secretary or delegate.

4. Membership

The ARC comprises of at least three members appointed by the Secretary. All members must not be officials of DPS, and a majority of members must be persons who are not officials of any Commonwealth entity:

- the Secretary will appoint the Chair of the ARC
- the ARC Chair is authorised to appoint a Deputy Chair of the ARC to act as Chair in their absence
- the members, taken collectively, will have a broad range of skills and experience relevant to the operations of DPS. At least one member of the ARC will have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment , and
- ARC Members will be appointed for an initial period determined by the Secretary. The ARC Chair will be appointed for a minimum of 3 years, with an option to extend. Members will normally be appointed for a specified period not exceeding two years. Members may be re-

appointed after a formal review of performance and the complementary skills and experience of the other members, for a further period not exceeding two years, unless agreed by the Secretary.

Senior Advisors and Observers

Two Senior Executive Service officers will be appointed to ARC by the First Assistant Secretary, Corporate Services Division as Senior Advisors. These advisors will receive all papers and attend all meetings.

The Deputy Secretary, First Assistant Secretary Corporate Services Division, Chief Financial Officer, Chief Information Officer and Chief Audit Executive will attend as observers, but will not be members of the ARC.

Representatives from the Australian National Audit Office (ANAO) and external providers of DPS Internal Audit services will be invited to attend all meetings.

Subcommittees

The ARC 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 ARC. The establishment of such sub-committees does not change the ARC's functions under this Charter.

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

5. Responsibilities of ARC members

Members of ARC 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 DPS functions, objectives and operational context
- act in the best interests of DPS 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 ARC responsibilities and pursue independent lines of enquiry, and
- contribute the time required to meet their responsibilities.

6. Conflicts of interest

On engagement and at least each year thereafter, members of the ARC will provide written declarations to the ARC Chair for provision to the Secretary, declaring any potential, perceived 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 conflicts of interest.

At the beginning of each ARC 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 ARC's consideration of the relevant agenda item(s). Details of potential or actual conflicts of interest declared by members of the ARC, and action taken, will be appropriately reflected in the minutes.

7. Key Activities and Deliverables

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

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

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

- annual financial statements and additional information required to prepare the Australian Government's consolidated financial statements to comply with the PGPA Act, PGPA Rule, Australian Accounting Standards and supporting guidance
- the processes and supporting systems in place designed to ensure that financial information included in the DPS annual report is consistent with the signed financial statements
- action in response to any issues raised by the external auditor, including financial statements adjustments and revised disclosure
- financial reporting, with reference to specific areas of concern or suggestions for improvement, including, whether appropriate, management action that has been taken in response to any significant issues raised by the ANAO

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

The ARC will review the performance information, systems and frameworks and provide independent advice to the Secretary on its view of the appropriateness of:

- Systems and procedures for assessing, monitoring, and reporting the achievement of DPS performance, including:
 - the Portfolio Budget Statement and Corporate Plan containing appropriate details of how DPS will 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
 - performance measures are achievable, appropriate and assist DPS meet its Portfolio Budget Statement outcome, and
- Annual Performance Statements and performance reporting, with reference to any specific areas of concern or suggestions for improvement, including whether DPS has processes in place to provide assurance that the proposed annual performance statement is consistent with DPS financial information, including its financial statements that it proposes to include in its annual report.

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

The ARC will review the system of risk oversight and management and provide independent advice to the Secretary on the appropriateness of:

- DPS Risk Management Framework and the necessary internal controls for the identification and management of key risks, including emerging risks in accordance with the Commonwealth Risk Management Policy

- risk management capability and whether key roles, responsibilities and authority 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 DPS' Fraud and Corruption Control Framework, including detecting, capturing and responding to fraud risks, are in accordance with the Commonwealth Fraud Control Framework
- approach to business continuity and risk management comply with the Commonwealth Risk Management Framework, and
- whether DPS has appropriate systems and procedures in place to identify key risk assurance arrangements and review these annually.

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

The ARC will review the internal control framework and provide independent advice to the Secretary on the appropriateness of:

- 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 DPS 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, and
- systems for internal control, with reference to any specific areas of concern or suggestions for improvement

Additional responsibilities

The Secretary requires the ARC 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 and accept reports from the internal auditor on the overall state of DPS internal controls on an annual basis, and
- 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, and
 - meet privately with the external auditor at least once per year, if required.
- Performance against Portfolio Budget Statement outcomes
 - invite DPS Branches, at least once a year, to attend ARC and provide assurance that:
 - business processes, including performance measures, are appropriate and support DPS meet its Portfolio Budget Statement Outcomes
 - business risks (both identified and emerging) are managed in accordance with the DPS Risk Management Framework, and
 - appropriate governance arrangements (including delegations) are in place.

8. Administrative Arrangements

Meetings

ARC will meet at least four times per year, a special meeting may be held to review DPS’s annual financial statements and performance statements, or to meet other specific responsibilities of ARC. Meetings will be conducted on a face-to-face basis and/or by videoconference as necessary. With the approval of the Chair, ARC can also agree items out-of-session by email communication.

A quorum will consist of a majority of ARC members.

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

Forward Work Plan

The ARC, with support from the Secretariat, will develop an annual forward workplan, detailing activities to be undertaken to address the functions outlined in this Charter. The forward work plan will be used to share the agenda for upcoming meetings.

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

Secretariat

DPS will provide secretariat services to the ARC, through the Assurance and Governance Section (Corporate Operations Branch). 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 PGPA.

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 ARC 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 ARC 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

ARC members must not use or disclose information obtained by the ARC except in meeting the ARC responsibilities, or unless expressly agreed by the Secretary.

9. ARC Assessment

The Chair will initiate a review of the performance of the ARC 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 ARC members, senior management, the internal auditor, external auditor, and any other relevant stakeholders, as determined by the Secretary or their delegate.

10. Review of the Charter

The ARC will review the appropriateness of this Charter annually. Substantial changes will be provided to the Secretary for endorsement.

Date of effect:	18 December 2023	Next Review:	September 2024
Approved	Secretary	File No:	D23/255403

Version Control:

Version No.	Version date	Name of contributor	Description
V0.01	13 July 2023	Heather Cochrane	Develop draft
V0.02	11 September 2023	ARC Secretariat	Amendments proposed by ARC members and secretariat
V0.02	21 September 2023	ARC Secretariat	Draft approved by ARC
V0.02	18 December 2023	Secretary	Approval