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Policy owner	Clerk of the Senate
Approved by	Clerk of the Senate
For help, contact	<a href="mailto:blackrod.sen@aph.gov.au">blackrod.sen@aph.gov.au</a>
Principal audience	Audit committee members, Department's Executive
Related documents	<a href="#">Public Governance Performance and Accountability Rule 2014 (PGPA rule) PGPA Rule 17</a> <a href="#">Resource Management Guidance No. 202: A guide for non-corporate Commonwealth entities on the role of the audit committee</a>

# Audit Committee Charter

The Clerk has established an Audit Committee in accordance with section 45 of the [Public Governance, Performance and Accountability Act 2013](#) (PGPA Act). Under PGPA Rule 17, the Clerk must determine the functions of the committee by written charter.

## 1. Role

The role of the committee is to provide independent advice to the Clerk on the appropriateness of the department's financial reporting, performance reporting, system of risk oversight and management, and system of internal controls.

The committee is not responsible for managing these functions but will engage with department's management in discharging its advisory responsibilities and formulating its advice to the Clerk. The committee acts independently of the department's management and in an objective and impartial manner, free from conflicts of interest, inherent bias or undue external influence.

## 2. Authority

The Clerk authorises the committee, within the scope of its functions and responsibilities, to:

- request access to any information it requires to enable it to advise effectively on its functions, subject to any legal or parliamentary obligation to protect information
- discuss any matters with the external auditor, or other external parties, subject to confidentiality considerations
- request the attendance of any employee or the Clerk at meetings, and
- obtain legal or other professional advice as considered necessary to meet its responsibilities.

The committee has no powers other than those authorised by the Clerk.

Members must not use or disclose information obtained by the committee except in meeting the committee's responsibilities, unless expressly authorised by the Clerk.

### 3. Membership

Collectively, membership must consist of persons who have appropriate qualifications, skills or experience to enable the committee to perform its functions and possess the expertise necessary to effectively advise the Clerk. All members are required to remain objective and independent in their committee role.

#### 3.1 Committee members

The committee comprises five members, appointed by the Clerk being:

- an external member (Chair)
- two other external members, and
- two SES officers of the department.

The Clerk, the Chair or the committee may appoint a Deputy Chair who will act as chair in the absence of the Chair.

To promote the independent nature of the committee, the following officials of the department are excluded from membership:

- the Clerk
- the Chief Operating Officer, and
- the Chief Finance Officer.

The Clerk and officials of the department may attend relevant meetings as observers to assist the committee in its functions.

#### 3.2 Term of committee members

Independent members will be appointed for a fixed period of no more than three years.

Members may be re-appointed for further periods as specified by the Clerk. The Chair will provide advice to the Clerk on the engagement of committee members and an independent member's performance where an extension of the member's tenure is being considered.

### 4. Responsibilities

Collectively, members are expected to understand and observe the legislative requirements of the PGPA Act and Rule, and take guidance (where appropriate) from the [Resource Management Guide No. 202: A guide for non-corporate Commonwealth entities on the role of the audit committee](#).

#### 4.1 Chair

The Chair is responsible for implementing the committee's agenda, work program and deliverables, and is expected to:

- have a clear understanding of the department and its work, and the functions and responsibilities of the committee, including its position in the department's governance structure
- engage with, and report formally and informally to, the Clerk
- effectively plan and manage committee meetings to enable the committee to undertake its functions and responsibilities as outlined in this charter, including setting the agenda for each meeting

- lead discussion and encourage the participation of other members, and focus the committee's deliberations on the most important issues
- seek the input of advisers, observers or other experts to maximise their contribution to the deliberations of the committee
- maintain an open and constructive relationship with Program Managers, the Chief Finance Officer, internal audit, other entity committees and the ANAO
- devote sufficient time to prepare for committee meetings and to engage with the Clerk, Program Managers and other stakeholders outside committee meetings, and
- consult with the Clerk on the appointment of committee members.

## 4.2 Members

Committee members, including the Chair, are expected to:

- maintain a good understanding of the department and the environment in which it operates
- act with openness and transparency and communicate effectively, and act in the best interests of the department as a whole
- be proactive in identifying significant issues and risks that warrant further attention, and avoid excessive focus on minor matters
- ask relevant questions, express opinions in a clear and constructive manner, ask questions that draw out the key issues and pursue independent lines of enquiry
- understand the department's culture and values, and bring a thoughtful approach to the ethical issues that might be faced, and
- take a professional approach to their responsibilities, including an appropriate commitment of time and effort.

## 5. Functions

The core functions of the committee are to review the appropriateness of the department's:

- financial reporting
- performance reporting
- system of risk oversight and management, and
- system of internal controls.

### 5.1 Financial reporting

The committee is required to review the appropriateness of the department's financial reporting by reviewing compliance with the mandatory requirements of the PGPA Act, the PGPA Rule and the Accounting Standards, and by considering the advice in supporting guidance.

- a) The committee will review the appropriateness of the department's:
- annual financial statements
  - information (other than annual financial statements) requested by Finance in preparing the Australian Government's consolidated financial statements, including the supplementary reporting package
  - processes for preparing, and keeping records of, financial reporting information, and

- processes to allow the department to stay informed throughout the year of any changes or additional requirements in relation to the financial reporting.
- b) The committee will provide written advice to the Clerk as to whether:
- the annual financial statements, in the committee’s view, comply with the PGPA Act, the PGPA Rule and the Accounting Standards and supporting guidance, as appropriate
  - 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) comply with the PGPA Act, the PGPA Rule and the Accounting Standards and supporting guidance, as appropriate, and
  - the department’s financial reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

## 5.2 Performance reporting

The committee is required to assess the appropriateness of the department’s performance reporting by reviewing compliance with the mandatory requirements of the PGPA Act and the PGPA Rule, and by considering the advice in the Commonwealth performance framework and supporting guidance.

- a) The committee will review the appropriateness of the department’s systems and procedures for assessing, monitoring and reporting on achievement of the department’s performance. In particular, the committee will consider whether the department’s:
- Portfolio Budget Statements and Corporate Plan contain appropriate details of how the department’s performance will be measured and assessed
  - approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and Corporate Plan is appropriate and in accordance with the Commonwealth performance framework, and
  - annual performance statement, for inclusion in the department’s annual report, reflects the achievement of performance measured during the financial year.
- b) The committee will provide written advice to the Clerk as to whether:
- the department’s performance reporting requirements, in the committee’s view, are appropriate and comply with the PGPA Act, the PGPA Rule and supporting guidance, as appropriate and
  - the department’s performance reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

## 5.3 System of risk oversight and management

The committee is required to assess the appropriateness of the department’s system of risk oversight and management by gaining sufficient understanding of the department’s risk appetite and operating environment and reviewing compliance with the mandatory requirements of the PGPA Act, the PGPA Rule and the Commonwealth Risk Management Policy, and by considering the advice in supporting guidance. A summary of the department’s key risk categories are included in the annual [Corporate Plan](#).

- a) The committee will periodically review the appropriateness of the department’s:
- risk management policy framework and the necessary internal controls for the effective identification and management of the department’s risks, in keeping with the Commonwealth Risk Management Policy
  - approach to managing the department’s key risks, including existing and potential controls

- process for developing and implementing the department’s fraud control arrangements consistent with the fraud control framework, and satisfy itself that the department has adequate processes for detecting, capturing and effectively responding to fraud risks, and
- articulation of key roles and responsibilities relating to risk management and adherence to them by officials of the department.

b) The committee will provide written advice to the Clerk, at least once a year, as to whether:

- the department’s risk management and fraud control frameworks, in the committee’s view, are appropriate and comply with the PGPA Act, the PGPA Rule, and supporting guidance, as appropriate, and
- the department’s system of risk oversight and management as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

#### 5.4 System of internal control

The committee is required to review the appropriateness of the department’s systems of internal control by gaining sufficient understanding of the department’s operating context, governance requirements and reviewing compliance with the mandatory requirements of the PGPA Act and the PGPA Rule, and by considering the advice in supporting guidance.

a) The committee will periodically review the appropriateness of the department’s:

- internal control framework by considering:
  - Program Managers’ 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 Program Managers have in operation current and relevant policies and procedures—such as Clerk’s Instructions, delegations, business continuity plan, or human resource management policies.
- legislative and policy compliance by considering the effectiveness of systems for monitoring the department’s compliance with relevant laws, regulations and associated government policies.
- security compliance by considering Program Managers’ approach to maintaining an effective internal security system (including ICT security policies and the Protective Security Policy Framework).
- internal audit coverage by considering:
  - the proposed internal audit coverage, ensuring that the coverage takes into account the department’s primary risks, and recommending approval of the internal audit work plan by the Clerk, and
  - all internal audit reports, providing advice to the Clerk on major concerns identified in those reports, and recommending action and good practice on significant matters raised.

b) The committee will provide written advice to the Clerk, at least once a year, as to whether the department’s system of internal control as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

## 6. Engagement with auditors

In undertaking its functions, the committee will engage with the department’s internal and external auditors.

## 6.1 Internal auditors

The department's internal audit function provides independent advice and assurance in relation to evaluating and improving the effectiveness of controls, risk management and governance processes in the department. 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 Clerk 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.

## 6.2 ANAO

ANAO is the department's external auditor. In relation to the ANAO's financial statement and performance audits of the department the committee will:

- consider planned ANAO financial and performance audit coverage
- monitor management's responses to all ANAO financial statement management letters and performance audit reports, including the implementation of audit recommendations
- provide advice to the Clerk 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.

## 7. Annual work plan

The committee will prepare a work plan that outlines the activities to be undertaken to achieve the committee's functions. The work plan will include proposed agenda items, agreed meeting dates and will be reviewed at every meeting. The work plan will also include any out of session deliberations and advice required to comply with the committee's responsibilities.

## 8. Reporting - to the Clerk

The Chair will regularly report to the Clerk. The manner and the frequency of reporting will be by mutual agreement between the Clerk and the Chair.

The committee will, at least once a year, report to the Clerk on its operations and activities.

The committee may, at any time, report to the Clerk any other matter it deems important. In addition, at any time an individual committee member may request a meeting with the Clerk.

## 9. Reporting – Annual report

Pursuant to subsection 17AG(2A) of the PGPA Rule, the following details of the committee must be included in the department's annual report:

- the name of each member of the audit committee during the reporting period;
- the qualification, knowledge, skills or experience of each member of the audit committee;
- information about each member's attendance at meetings of the audit committee during the reporting period (in comparison to the total number of meeting for the reporting period); and

- the remuneration of each member of the audit committee.

The department's annual report must also include a direct electronic address (hyperlink) to this charter.

## **10. Administrative arrangements**

### **10.1 Meetings**

It is expected that the committee will meet at least four times per financial year.

Extraordinary meetings shall be called if requested by the Clerk or the Chair. If an extraordinary meeting is requested by another member of the committee, it is at the discretion of the Chair, in consultation with the Clerk, whether the meeting will be held. The outcome of any request to hold an extraordinary meeting will be communicated to all committee members.

Depending on reporting timeframes and the schedule of the meetings, committee members may need to consider, and provide advice out-of-session.

### **10.2 Quorum**

A quorum consists of three committee members.

Meetings shall, however, be arranged to maximise the number of members in attendance wherever possible.

### **10.3 Secretariat**

Working to the Chair, the Chief Operating Officer will provide secretariat services to the committee, including:

- the preparation and distribution of meeting papers
- taking minutes of committee meetings
- the preparation of the committee's annual report
- maintaining a record of members' terms of appointment
- managing expenditure relating to the committee's operations
- records management, and
- other duties as required by the committee or directed by the Chair.

### **10.4 Papers and agenda items**

The Clerk, members and observers may request that papers and items be put on the agenda.

### **10.5 Conflicts of interest**

Members of the committee will provide written declarations, in accordance with in [Appendix A](#), declaring any material personal interests they may have in relation to their responsibilities.

### **10.6 Induction**

New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities. An incoming brief will be provided that contains details about the department and the role of the committee (including this charter). Relevant published documents (such as the department's Annual report, PBS and Corporate Plan) will also be provided for reference.

### **10.7 Assessment arrangements**

The Chair will ensure the performance of the committee is reviewed annually. The review will be conducted on a self-assessment basis. The outcome of the self-assessment will be reported to the Clerk and a summary included in the committee's annual report.

The Clerk will monitor the performance of the committee by:

- receiving the agenda and papers prior to each meeting
- participating in post-meeting discussions with the Chair,
- reviewing the Chair's post-meeting reports
- reviewing the committee's annual reports and written advices, and
- reviewing a report on the outcomes of the committee's self-assessments.

### **10.8 Review of charter**

The committee will review this charter annually and any substantive amendments identified will be recommended to the Clerk.

Based on this advice and any relevant changes to the department's environment, the Clerk will review the charter and make amendments, where appropriate.

#### **Approved by**

Richard Pye  
Clerk of the Senate  
31 July 2020



# Appendix A – Declarations of conflict of interest

## Conflict of interest declarations – for members of the committee

All members of the committee must declare annually, in accordance with the template below, whether they have any direct or indirect personal relationships, affiliations or associations which may give rise to any actual or perceived conflict of interest in relation to their work with the committee.

### Defining conflicts of interest

Conflicts of interest exist when it is likely that you could be influenced, or could be perceived to be influenced, by a personal interest in carrying out your public duty. A conflict of interest that leads to partiality in decision-making may constitute corrupt conduct.

Examples of issues that may give rise to a conflict of interest include:

- having a financial interest in a matter that the department deals with or being aware you have friends or relatives with such an interest
- having personal beliefs or attitudes that influence the impartiality of your advice or views
- having personal relationships with the people that the department is dealing with or investigating that go beyond a normal professional working relationship
- engaging in secondary employment that compromises your integrity and/or that of the department, and
- being active in any political party or as a representative for a political party, cause or movement that may influence your public duty.

### Conflicts of interest relating to agenda items at committee meetings

Prior to a committee meeting, members are required to declare any material personal interests 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 relevant agenda items.

If the Chair declares any such interest, the Chair must decide, in consultation with the Clerk, whether to refrain from participating in a meeting or in the committee's consideration of the relevant agenda items.

Details of any material personal interests declared, and consequent actions, will be appropriately recorded in the minutes.



**Conflict of Interest – Declaration for members of the committee**

I declare that, to the best of my knowledge, I do not have any interests or matters which might give rise to a real or perceived conflict of interest

OR

I declare that I have interests or matters which might give rise to a real or perceived conflict of interest  
*(Describe the nature of the interest)*

By signing below, I agree that I am familiar with principles of conflict of interest disclosure<sup>1</sup> and to the best of my knowledge, I have made a full disclosure of all interests or matters that may put me in a conflict of interest situation in performing my role in relation to the Department of the Senate’s Audit Committee.

I acknowledge that non-disclosure could result in action being taken to terminate my work with the committee.

I agree to update this declaration from time to time as my circumstances change.

\_\_\_\_\_  
Signature:

\_\_\_\_\_  
Date:

\_\_\_\_\_  
Print name:

\_\_\_\_\_  
Email:

<sup>1</sup> See for example, [APSC Values and Code of Conduct in practice: Section 5](#)



**Conflict of Interest – Declaration relating to agenda items at committee meetings**

I declare that I have interests or matters which might give rise to a real or perceived conflict of interest relating to the following agenda item(s) to be dealt with at the Department of the Senate’s Audit Committee meeting on [insert date].

*(Describe the nature of the interest)*

By signing below, I agree that I am familiar with the principles of conflicts of interest disclosure<sup>1</sup> and, to the best of my knowledge, I have made a full disclosure of all interests or matters that may put me in a conflict of interest situation in performing my role in relation to the committee meeting on [insert date].

I acknowledge that non-disclosure could result in action being taken to terminate my work with the committee.

\_\_\_\_\_  
Signature:

\_\_\_\_\_  
Date:

\_\_\_\_\_  
Print name:

\_\_\_\_\_  
Email:

<sup>1</sup> See for example, [APSC Values and Code of Conduct in practice: Section 5](#)