



Treasury

Audit and Risk Committee Charter

17 December 2024

Audit and Risk Committee Charter

External Chair	As appointed by the Secretary Current: Don Cross
Terms of Reference Updated	17 December 2024
Secretariat	Strategic Secretariat, Governance Branch
Reporting Line	The Audit and Risk Committee reports directly to the Secretary
Meeting Frequency	The Committee will convene at least four times per year

1. Purpose

The Secretary to the Treasury (the Secretary) has established the Audit and Risk Committee (the 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. The Committee has no executive powers in relation to the operations of the entity. The Committee may only review the appropriateness of particular aspects of those operations, consistent with its functions, and advise the Secretary accordingly.

2. 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 Treasury's:

- annual financial statements and additional information required by 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 Treasury's Annual Report is consistent with the signed financial statements.
- financial reporting, 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 measuring, 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;
 - 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 Treasury's Annual Report; and
 - action being taken in response to any issues raised by the external and internal auditors is appropriate.
- Annual Performance Statements and performance reporting, 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 its view of 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 and corruption control arrangements, including preventing, detecting, capturing and responding to fraud and corruption risk, in accordance with the Commonwealth Fraud and Corruption 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, with reference to the Commonwealth Risk Management Policy and 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 its view of 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 and Commonwealth Fraud and Corruption Control Framework;
- consideration of legislative compliance risks within the internal control framework, fraud and corruption control framework and planning;
- 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 its management of cyber risks.;
- 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 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.

As far as is practicable, the Committee will indicate which matters it will consider during any given year in a forward plan, noting that it may consider other additional matters in response to changes in the entity's operating environment.

3. 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 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.

4. Authority

The Secretary authorises the Committee, within the scope of its functions, to:

- Obtain any information it needs from any officer and/or external party (subject to their legal obligation to protect information).
- Discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations).
- Assist in the resolution of any disagreements between management and the external auditor regarding financial reporting.
- Request the attendance of any officer at Committee meetings.
- Obtain legal or other professional advice, as considered necessary to meet its responsibilities (and, where the advice is procured externally, subject to the Chair's endorsement and spending approval from the Assistant Secretary Governance Branch and/or Chief Operating Officer in the first instance and the Secretary, if necessary).

5. 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.

6. 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. The Committee will consist of at least three external members appointed by the Secretary. The Secretary will appoint a Chair of the Committee. In appointing members to the Committee, the Secretary will have regard to:

- The entity's governance framework and assurance mechanisms.
- The appropriateness of their qualifications, knowledge, skills or experience to assist the Committee to perform its functions.
- The key risks to the entity, including risks relating to program delivery and implementation.

Treasury will appoint two internal advisers to attend meetings. Internal Advisors will be Senior Executive Service members of Treasury and will be appointed by the Secretary. The Internal Advisors will receive all papers and attend all 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.

- Contribute the time required to meet their responsibilities.

The Secretary, Deputy Secretary Small Business, Housing, Corporate and Law Group, Chief Operating Officer, Chief Finance Officer, Chief Information Officer, Assistant Secretary Governance 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.

Induction and Clearance

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

Members will be required to undertake (and maintain) a national security clearance to the level of Negative Vetting Level One.

7. 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.

8. Reporting

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

The Chair may also meet with the Secretary from time to time to discuss any matters related to the role of the Committee.

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.

Annual Reporting Requirements

Section 17AG of the PGPA Rule establishes that the following information is to be included in the Annual Report.

(2a) The annual report must include the following:

- a. a direct electronic address of the charter determining the functions of the audit committee for the entity;*
- b. the name of each member of the audit committee during the period;*
- c. the qualifications, knowledge, skills or experience of those members;*
- d. information about each of those members' attendance at meetings of the audit committee during the period;*
- e. the remuneration of each of those members.'*

The Secretariat will liaise with members where necessary to facilitate the provision of this information.

9. Administrative Arrangements

Meetings and attendance

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.

Special meetings may be held to review the entity's annual financial statements and performance statement or to meet other specific responsibilities of the Committee.

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 forward work plan, detailing activities to be undertaken 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

Treasury 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 Treasury's obligations under the Archives Act 1983 and Section 37 of the PGPA Act.

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.

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.

10. 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.

11. 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.

Version Control

Version	Drafted by	Reviewed by	Date of ARC endorsement
0.2	Director, Strategic Secretariat	Assistant Secretary, Governance Branch Audit and Risk Committee Secretary	6 November 2024