

# Audit Committee Charter

The Secretary of the Commonwealth Grants Commission (CGC) has established an Audit Committee (AC) in compliance 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 2014* (PGPA Rule).

This Charter sets out the AC's role, functions, membership, authority, reporting and administrative arrangements.

## Role

The AC's role is to provide independent assurance to the Secretary on the CGC's financial and performance reporting responsibilities, risk oversight and management, and system of internal control.

## Functions

### *Financial reporting*

- The AC will review and provide advice to the Secretary on the appropriateness of the CGC's:
  - annual financial statements;
  - accounting policies and disclosures, including any significant changes to accounting policies.
- The AC will provide a statement to the Secretary whether the annual financial statements, in the AC's view, comply with the PGPA Act, the PGPA Rule, the Accounting Standards and supporting guidance with reference to any specific areas of concern or suggestions for improvement.

### *Performance reporting*

- The AC will review and provide advice to the Secretary on the appropriateness of the CGC's systems and procedures for assessing, monitoring and reporting on achievement of the CGC's performance. In particular, the AC should satisfy itself that:
  - the CGC's Portfolio Budget Statements and corporate plan contain appropriate details of how the CGC's performance will be measured and assessed;
  - the CGC's 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.
- The AC will review the annual performance statements and provide a statement to the Secretary whether, in their view, the CGC's annual performance statements and performance reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

### *Systems of risk oversight and management*

- The AC will review and provide advice to the Secretary on the appropriateness of the CGC's:
  - risk management policy framework and the necessary internal controls for the effective identification and management of the CGC's risks, in keeping with the Commonwealth Risk Management Policy;
  - process for developing and implementing the CGC's fraud control arrangements consistent with the fraud control framework.
- The AC will provide a statement to the Secretary whether in their view, the CGC's system of risk oversight and management as a whole is appropriate with reference to the Commonwealth Risk Management Policy and any specific areas of concern or suggestions for improvement.

### *Internal control*

- The AC will review and provide advice to the Secretary on the appropriateness of the CGC's:
  - internal control framework;
    - reviewing management's approach to maintaining an effective internal control framework,
    - reviewing whether management has in operation relevant policies and procedures—such as accountable authority instructions, delegations and a business continuity plan.
  - security compliance;
    - reviewing management's approach to maintaining an effective internal security system—including complying with the Protective Security Policy Framework—and ICT security policy.
- The AC will provide a statement to the Secretary whether the CGC's system of internal control is appropriate with reference to any specific areas of concern or suggestions for improvement.

## **Membership**

The membership of the AC shall comply with subsections 17(3)–(5) of the PGPA Rule. The Secretary will appoint the Chair and Members of the AC.

## **Authority**

The Secretary authorises the AC, in accordance with this Charter, 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 ANAO, or other external parties (subject to confidentiality considerations),
- request the attendance of any official, including the Secretary, at AC meetings, and
- obtain legal or other professional advice, as considered necessary to fulfil its role, at the CGC's expense, subject to the approval by the Secretary, or delegate.

## **Conduct of the AC**

Members of the AC are expected to understand and observe the legal requirements of the PGPA Act and the PGPA Rule. Members are also expected to:

- act in the best interests of the CGC as a whole,
- apply good analytical skills, objectivity and good judgment,
- express opinions constructively and openly, raise issues that relate to the AC's responsibilities and pursue independent lines of enquiry, and
- contribute the time required to meet their responsibilities.

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

## **Engagement with the ANAO**

In undertaking its role, the AC will engage with the ANAO in relation to financial statement and performance audit coverage. In particular, the AC will:

- provide input on planned financial statement and performance audit coverage,
- monitor management's responses to all financial statement management letters and performance audit reports, including the implementation of audit recommendations,
- provide advice to the Secretary on action to be taken on significant issues raised in relevant ANAO reports, and
- meet with the ANAO at least once per year (chair will contact the audit office to extend an invitation, coinciding with the financial statements audit).

## **Reporting**

The AC will, as often as necessary, and at least three times a year, report to the Secretary on its operation and activities and confirm to the Secretary that all functions outlined in the Charter have been satisfactorily addressed.

The AC may, at any time, report to the Secretary any other matter it deems of sufficient importance to do so. In addition, at any time an individual AC member may request a meeting with the Secretary.

## **Administrative arrangements**

### ***Meetings***

The AC will meet at least three times per year:

- Mid financial year review – Jan/Feb
- Interim audit phase review – May
- Final audit phase review - Sep

Special meetings may be held as needed.

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 or the ANAO.

### ***Quorum***

A quorum will consist of a majority of independent AC members. The quorum must be in place at all times during the meeting.

### ***Planning***

The AC will develop a forward meeting schedule that includes the dates, location, and proposed agenda items for each meeting for the forthcoming year, and that covers all the functions outlined in this Charter.

### ***Secretariat***

The Secretary, in consultation with the AC, will appoint a person to provide secretariat support to the AC. The secretariat will:

- ensure the agenda for each meeting is approved by the Chair,
- the agenda and supporting papers are circulated, at least one week before the meeting, and
- ensure the minutes of the meetings are prepared and maintained.

Minutes must be reviewed by the Chair and circulated in a timely manner to each member and AC advisers and observers, as appropriate.

The secretariat will also provide support in developing the AC work plan as well as reviewing the Charter.

### ***Conflicts of interest***

Once each year, members of the AC will provide written declarations, through the Chair, to the Secretary declaring any material personal interests 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 Secretary, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each AC 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 AC's consideration of the relevant agenda item(s). The Chair is also responsible for deciding, in consultation with the Secretary where appropriate, if he/she should excuse themselves from the meeting or from the AC's consideration of the relevant agenda item(s). Details of any material personal interests declared by the Chair and other members, and actions taken, will be appropriately recorded in the minutes.

### ***Review arrangements***

The Chair of the AC, in consultation with the Secretary, will undertake a review of the performance of the AC 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 the Secretary, AC members, senior management, the ANAO, and any other relevant stakeholders, as determined by the Secretary.

At least once a year the AC will review this Charter. This review will include consultation with the Secretary. Any substantive changes to the Charter will be recommended by the AC and formally approved by the Secretary.