



Audit and Risk Committee Charter

September 2021

Introduction

1. Audit committees play an important role in supporting the governance of non-corporate Commonwealth entities, providing independent advice to accountable authorities, and assisting them to meet their duties and obligations¹.
2. The Secretary (the accountable authority) of the Department of Infrastructure, Transport, Regional Development and Communications (the department) has established the department's Audit and Risk Committee (the Audit and Risk Committee) in accordance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act) and section 17 of the *Public Governance, Performance and Accountability Rule 2014* (the PGPA Rule).
3. The Chief Executive Officer (accountable authority) of the National Faster Rail Agency (the agency) and the Chief Executive Officer (accountable authority) of the North Queensland Water Infrastructure Authority (the authority) have requested the department's Audit and Risk Committee provide audit and risk committee services to the agency and authority.
4. Throughout this charter the department, the agency and the authority are referred to collectively as the entity or entities.

Functions

5. Under Section 17 of the PGPA Rule, the accountable authority must determine the functions of the Audit and Risk Committee by written charter (the charter).
6. Subsection 17(2) of the PGPA Rule, requires that the functions of the Audit and Risk Committee must include reviewing the appropriateness² of the accountable authority's:
 - financial reporting
 - performance reporting
 - system of risk oversight and management, and
 - system of internal control for the entity.

Financial reporting

7. The Audit and Risk Committee will review and provide advice on the appropriateness of the accountable authority's:
 - annual audited financial statements

¹ Resource Management Guide 202: A guide for non-corporate Commonwealth entities on the role of Audit and Risk Committees
March 2020

² Appropriateness has its ordinary meaning suitable or fitting for a particular purpose, RMG 202, March 2020, page 8

- information (other than annual financial statements) requested by the Department of Finance in preparing the Australian Government's consolidated financial statements, including the supplementary reporting package, and
 - processes and systems for preparing financial reporting information.
8. The Audit and Risk Committee will provide a statement to the accountable authorities including:
- whether the annual financial statements, in the Audit and Risk Committee's view, comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance
 - whether additional entity information (other than financial statements) required by the Department of Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package) comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance
 - in respect of the appropriateness of the entity's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

Performance reporting

9. The Audit and Risk Committee will review and provide advice on the appropriateness of the accountable authority's systems and procedures for assessing, monitoring and reporting on achievement of the entity's performance. In particular, the committee should satisfy itself that:
- the entity's Portfolio Budget Statements and corporate plan contain appropriate details of how the entity's performance will be measured and assessed
 - the entity'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. This may include reviewing, over time, particular elements of the performance measures, and
 - the entity has appropriate systems and processes for preparation of its annual performance statement and inclusion of the statement in its annual report.
10. The Audit and Risk Committee will provide a statement to the accountable authorities whether, in their view, the accountable authority's annual performance statements and performance reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

System of risk oversight and management

11. The Audit and Risk Committee will review and provide advice on the appropriateness of the accountable authority's:
- enterprise risk management policy framework and the necessary internal controls for the effective identification and management of the entity's risks, in keeping with the Commonwealth Risk Management Policy
 - approach to managing the entity's key risks — including those associated with individual projects and program implementation and activities
 - process for developing and implementing the entity's fraud control arrangements consistent with the fraud control framework, and satisfy itself that the entity 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 entity.
12. The Audit and Risk Committee will provide a statement to the accountable authorities whether in their view, the accountable authority'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.

System of internal control

13. The Audit and Risk Committee will review and provide advice on the appropriateness of the accountable authority's:
 - internal control framework
 - legislative and policy compliance
 - security compliance
 - business continuity and disaster recovery
 - internal audit coverage, and
 - implementation of agreed recommendations from internal audits, Australian National Audit Office financial statements and performance audits, and parliamentary committees including the Joint Committee of Public Accounts and Audit
14. The Audit and Risk Committee will provide a statement to the accountable authorities whether the accountable authority's system of internal control is appropriate for the entity, with reference to any specific areas of concern or suggestions for improvement.

Other functions

15. The accountable authorities may determine additional functions to be undertaken by the Audit and Risk Committee.

Membership

16. The Audit and Risk Committee up to five members appointed by the accountable authority of the department. The Audit and Risk Committee must consist of members who are not officials of the entities and a majority of the members must be persons who are not officials of any Commonwealth entity. The Audit and Risk Committee may have a temporary increase in the number of members as a result of staggering the rotation of members.
17. The Chair of the Audit and Risk Committee (the Chair) will be appointed by the accountable authority of the department. A Deputy Chair may also be appointed by the Audit and Risk Committee who may act as Chair in the absence of the Chair on a temporary basis.
18. The Audit and Risk Committee is supported by senior departmental advisers. The role of the advisers is to provide advice to the Audit and Risk Committee. The advisers may attend relevant Audit and Risk Committee meetings (in whole or in part) as observers, as determined by the Chair or by the Audit and Risk Committee.
19. Audit and Risk Committee members will be appointed for an initial period determined by the accountable authority of the department. Members may be re-appointed for further periods, having regard to the length of their original appointment, after a formal review of their performance by the accountable authority of the department. The Chair may be requested to provide advice to the accountable authority of the department on a member's performance where an extension of the member's appointment is being considered.
20. Consistent with subsection 17(3) of the PGPA Rule, the members of the Audit and Risk Committee will have appropriate qualifications, knowledge, skills or experience to assist the committee perform its functions.
21. Consistent with subsection 17(5) of the PGPA Rule and Resource Management Guide 202, the accountable authorities, and the Chief Financial Officer may not be members of the Audit and Risk Committee but may attend meetings as advisors and/or observers, as determined by the Chair or by the Audit and Risk Committee.
22. Representatives from the Australian National Audit Office (ANAO) and internal audit contracted service provider(s) will not be members of the Audit and Risk Committee. However, they may attend relevant Audit and Risk Committee meetings (in whole or in part) as observers, as determined by the Chair or by the Audit and Risk Committee.

Conduct of the Audit and Risk Committee

23. The Audit and Risk Committee will engage with management in a constructive and professional manner in discharging its advisory responsibilities and formulating its advice to the accountable authorities.
24. Members of the Audit and Risk Committee 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 the entities as a whole
- apply good analytical skills, objectivity and good judgment
- express opinions constructively and openly, raise issues that relate to the Audit and Risk Committee's responsibilities and pursue independent lines of enquiry, and
- contribute the time required to meet their responsibilities.

Independence

25. The Audit and Risk Committee is directly accountable to the accountable authorities for the performance of its functions.
26. The Audit and Risk Committee has no executive powers in relation to the operations of the entities. The Audit and Risk Committee may only review the appropriateness of particular aspects of those operations, consistent with its functions, and advise the accountable authorities accordingly.
27. Responsibility for the appropriateness of the entities' financial reporting, performance reporting, system of risk oversight and management, and system of internal control rests with the accountable authorities.

Access to and use of information

28. The accountable authorities authorises the Audit and Risk Committee, in performing its functions, to:
 - seek any information it requires from (subject to any legal obligation to protect information):
 - any official of the entity, and
 - external parties.
 - obtain legal or other professional advice, subject to approval by the appropriate delegate, and
 - request the attendance of any official of the entity at meetings, as appropriate.
29. The accountable authorities directs officials of the entities to cooperate with the Audit and Risk Committee.
30. Audit and Risk Committee members must not use or disclose information obtained by the Audit and Risk Committee except in meeting the committee's responsibilities, or unless expressly agreed by the accountable authorities.
31. Members are required to sign a Deed of Non-Disclosure upon their appointment.

Conflicts of Interest

32. Once a year, Audit and Risk Committee members will provide written declarations to the Chair for reporting to the accountable authorities declaring any potential or actual conflicts of interest they may have in relation to their responsibilities.
33. Audit and Risk Committee members with a potential conflict of interest will notify the Audit and Risk Committee as soon as this becomes apparent. Audit and Risk Committee members and observers must declare any potential conflicts at the start of each meeting or before discussions of the relevant agenda item or topic.
34. Any member, or observer, with a conflict of interest will absent themselves from discussions about relevant matters. Details of any conflicts of interest should be appropriately recorded in the minutes from the meeting.

Administrative arrangements

Meetings

35. The Audit and Risk Committee will meet at least four times per year, and more often if required. Special meetings may be held to review the entities' annual financial statements and performance statements or to meet other specific responsibilities of the Audit and Risk Committee. Additional papers may be circulated to Audit and Risk Committee members for review out-of-session.
36. The accountable authority of the department, or a representative, will attend the members only session at the commencement of Audit and Risk Committee meetings to provide members with an overview of key priorities and

risks. First Assistant Secretaries, of the department, will present at each meeting, on a rotational basis, to provide the Audit and Risk Committee with an overview of priorities, risks, performance reporting and governance arrangements.

37. The accountable authority of the agency, or a representative, will attend parts of the meeting relevant to the agency.
38. The Chair will call a meeting if requested to do so by the accountable authorities, and may call a meeting if requested by another Audit and Risk Committee member.
39. A quorum for any Audit and Risk Committee meeting will consist of a majority of members in office, one of whom must be the Chair or the Deputy Chair.

Reporting

40. The Chair will report to the accountable authority of the department after each meeting. The Chair will report to the accountable authority of the agency and authority after each meeting if the accountable authority does not attend the meeting.
41. Any matter deemed of sufficient importance will be reported to the relevant accountable authority immediately.
42. The Audit and Risk Committee will consider its performance against its charter on an annual basis, and the Chair will report to the accountable authorities accordingly.

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43. The Audit and Risk Committee will review the appropriateness of this charter at least annually, in consultation with the accountable authorities. The outcomes of this review will be reported to the accountable authorities.
44. The accountable authority of the department approves the charter.

Annual work plan

45. As far as is practicable, the Audit and Risk Committee should indicate which matters it will consider during any given year in a forward meeting plan, noting that it may consider other or additional matters in response to changes in the entity's operations and environment. The forward meeting plan will include the proposed agenda items for each meeting for the forthcoming year, and cover all of the functions outlined in the charter.

Audit and Risk Committee performance

46. The Chair of the Audit and Risk Committee will initiate a review of the performance of the Audit and Risk Committee at least once every two years. The outcomes of this assessment will be reported to the accountable authorities.

Sub-committees

47. The Audit and Risk Committee may establish one or more sub-committees to assist the full committee in meeting its responsibilities, in consultation with the accountable authority.
48. The responsibilities and reporting arrangements for each sub-committee will be documented and approved by the Audit and Risk Committee.
49. The establishment of such sub-committees does not change the Audit and Risk Committee's functions under this charter.

Induction

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

Secretariat

51. The Assurance and Risk Branch will provide secretariat services to the Audit and Risk Committee.
52. The secretariat is responsible for arranging Audit and Risk Committee meetings, preparing and coordinating meeting agendas, papers and meeting minutes, and appropriate record keeping of Audit and Risk Committee documentation.