

# ANAO AUDIT COMMITTEE CHARTER

The Auditor-General has established an Audit Committee in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and PGPA Rule, section 17– Audit committee for Commonwealth entities.

This Charter sets out the committee's responsibilities, authority, membership and functions, and its procedural, reporting and administrative arrangements.

## Responsibilities of the Committee

The committee's responsibility is to provide independent assurance and advice to the Auditor-General, including reviewing the appropriateness of the ANAO's financial and performance reporting, systems of risk oversight and management, and system of internal control.

The committee is not responsible for the executive management of these functions, with the exception of internal audit, over which the committee exercises a governance role. The committee will engage with management in a constructive and professional manner in discharging its assurance and advisory responsibilities and formulating its advice to the Auditor-General.

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

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

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 Auditor-General.

## Authority

The Auditor-General authorises the committee, in accordance with its role and 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 the attendance of any official, including the Auditor-General, at committee meetings, and
- ▶ obtain legal or other professional advice, as considered necessary to fulfil its role, at the ANAO's expense to a preapproved limit of \$30,000<sup>1</sup>.

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<sup>1</sup> When obtaining legal advice, the Chair will consult with the Auditor-General as considered appropriate.

## Membership

The committee shall consist of three independent<sup>2</sup> members, appointed by the Auditor-General.

The Auditor-General will appoint one of the members to be the Chair of the committee.

The committee is authorised to appoint a Deputy Chair who will act as chair in the absence of the Chair.

Committee members, taken collectively, will have a broad range of skills and experience relevant to the operations of the ANAO. At least one independent member of the committee will have accounting or related financial management experience, with an understanding of accounting and auditing standards and risk management in a public sector environment. Other important skills and experience include an understanding of performance measurement and reporting requirements under the PGPA Act and rules and the application of these to the ANAO's operating environment and an understanding of the systems of internal control

Committee members will be appointed for an initial period determined by the Auditor-General. Members may be re-appointed after a formal review of their performance, for further periods as specified by the Auditor-General. The Chair will provide advice to the Auditor-General on an independent member's performance where an extension of the member's tenure is being considered.

The Group Executive Director PSRG, Chief Financial Officer, Chief Information Officer, or other management representatives may attend meetings as observers, as determined by the Chair, but will not be members of the committee.

The Auditor-General, Deputy Auditor-General, external auditor and the Chief Internal Auditor, or their representatives, each have a standing invitation to attend meetings of the committee as an observer.

## Functions

### Reviewing the appropriateness of the ANAO's financial reporting

- ▶ Review the financial statements and provide advice and assurance to the Auditor-General that they comply with the requirements of the *Public Governance, Performance and Accountability Act 2013* and associated Rules. In particular, the committee shall review:
  - a) the ANAO's compliance with accounting standards
  - b) the appropriateness of accounting policies and disclosures, including any significant changes to accounting policies
  - c) areas of significant judgement and financial statement balances that require estimation
  - d) significant or unusual transactions
  - e) sign-off by ANAO management in relation to the quality of the financial statements, internal controls and compliance
  - f) the external auditor's judgments about the adequacy of the ANAO's accounting policies and the quality of the processes for the preparation of the ANAO's financial statements, through discussions with the external auditor
  - g) whether appropriate management action has been taken in response to any issues raised by the external auditor, including financial statement adjustments or revised disclosures, and

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<sup>2</sup> Persons who are not officials of the ANAO; and who are not officials of any other Commonwealth entity.

- h) whether, taking into account all the above, the financial statements present fairly the entity's financial position, financial performance and cash flows.
- ▶ Act as a forum for communication between management and the external auditor.
- ▶ Review the processes in place designed to ensure that financial information included in the ANAO annual report is consistent with the signed financial statements.

### Reviewing the appropriateness of the ANAO's performance reporting

- ▶ Provide advice and assurance to the Auditor-General that the ANAO's performance measures, and the recording and reporting of those measures, are in accordance with the *Public Governance, Performance and Accountability Act 2013* and associated rules. In particular, the committee shall review whether:
  - a) the ANAO's framework for selecting its performance measures is appropriate in accordance with the Commonwealth Performance Framework, and results in an effective performance story;
  - b) the ANAO's Portfolio Budget Statements and Corporate Plan contain appropriate details of how the ANAO's performance will be measured and assessed;
  - c) there are appropriate and robust systems and processes for assessing, monitoring and reporting on the ANAO's performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and Corporate Plan;
  - d) there are appropriate systems and processes in place for the preparation of the annual performance statement and the inclusion of the statement in the annual report;
  - e) the annual performance statement accurately presents the ANAO's performance; and
  - f) the ANAO has had regard to relevant guidance issued by the Department of Finance.
- ▶ The Audit Committee will also consider:
  - a) the external auditor's judgments about the completeness and adequacy of ANAO's quality of processes for the preparation of the ANAO's performance statement, through discussions with the external auditor; and
  - b) sign-off by ANAO management in relation to the quality of the performance statements and internal controls.
- ▶ Provide a statement to the Auditor-General in relation to the appropriateness of the ANAO's annual performance statements, and compliance with the PGPA Act and Rule, with reference to any specific suggestions for improvement or areas of concern.

### Systems of risk oversight and management

- ▶ Review whether management has in place an appropriate and robust risk management framework and associated internal controls for effective identification and management of the entity's business and financial risks, including fraud and security.
- ▶ Satisfy itself that an appropriate approach has been followed in managing the entity's highest risks including those associated with individual projects, program implementation, and activities.
- ▶ Review the process of developing and implementing the entity's fraud control arrangements and satisfy itself that the entity has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks.
- ▶ Review reports on fraud from management that outline any significant or systemic allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in the entity.

- ▶ Review whether management has adequately developed risk management capability in the entity and whether key roles, responsibilities and authorities relating to risk management are clearly articulated and adhered to in the entity.

## System of internal control

### *Internal control framework*

- ▶ Review management's approach to maintaining an effective internal control framework; this framework should include controls in relation to functions performed by external parties such as contractors and advisers.
- ▶ Review whether management has in place relevant policies and procedures, including Auditor-General's Instructions, and that these are periodically reviewed and updated.
- ▶ Satisfy itself that appropriate processes are in place to assess whether key policies and procedures are complied with.
- ▶ Satisfy itself that management periodically assesses the adequacy of the ANAO's information security arrangements, including complying with entity reporting obligations.

### *Legislative and policy compliance*

- ▶ Review the effectiveness of systems for monitoring the ANAO's compliance with laws, regulations and associated government policies with which the ANAO must comply.
- ▶ Determine whether management has appropriately considered legal and compliance risks as part of the entity's enterprise risk management plan.

### *Internal audit coverage*

- ▶ Review the proposed internal audit coverage to ensure it takes into account the ANAO's key risks, and recommend approval of the Internal Audit Work Plan to the Auditor-General.
- ▶ Review all internal audit reports and provide advice to the Auditor-General on significant issues identified and recommend action, including identification and dissemination of good practice.
- ▶ Obtain an annual report from the Chief Internal Auditor on the overall state of the ANAO's internal controls.

### *Business continuity management*

- ▶ Satisfy itself that an appropriate approach has been followed in establishing the ANAO's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

### *Delegations*

- ▶ Review whether appropriate policies and associated procedures are in place for the management and exercise of delegations and authorisations.

### *Ethical and lawful conduct*

- ▶ Assess whether management has taken steps to embed a culture that promotes the proper use and management of public resources and is committed to ethical and lawful conduct.

## Other functions

### Administration of the internal audit function

The entity's internal audit function is responsible for delivering an appropriate internal audit program as approved by the Auditor-General. The committee will exercise a governance role in relation to the entity's internal audit function. This includes:

- ▶ Reviewing the Internal Audit Charter on an annual basis and reporting the results to the Auditor-General.
- ▶ Advising the Auditor-General on the adequacy of internal audit resources, or budget, to carry out its responsibilities, including completion of the approved Internal Audit Work Plan.
- ▶ Coordinating, to the extent possible, the work programs of internal audit and other assurance or review functions.
- ▶ Monitoring management's implementation of internal audit recommendations.
- ▶ Periodically reviewing the performance of internal audit, and reporting the results to the Auditor-General.
- ▶ Providing advice to the Auditor-General on the appointment of the Chief Internal Auditor.
- ▶ Periodically meeting privately with the Chief Internal Auditor.

### **Governance arrangements**

- ▶ Periodically reviewing the ANAO's governance arrangements or elements of the arrangements as determined by the Auditor-General and suggesting improvements, where appropriate, to the Auditor-General.

### **Parliamentary committee reports, external reviews and evaluations**

- ▶ Satisfying itself that the ANAO has appropriate mechanisms in place to address findings of parliamentary committees (especially reports and other feedback from the Joint Committee of Public Accounts), external reviews and evaluations of the ANAO.

### **Other**

- ▶ Undertaking other activities related to its responsibilities as requested by the Auditor-General.

### **Engagement with the external auditor**

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

- ▶ provide input on planned financial statement and performance audit coverage.
- ▶ monitor ANAO management's responses to all financial statement management letters and performance audit reports, including the implementation of audit recommendations.
- ▶ provide advice to the Auditor-General on action to be taken on significant issues raised in relevant external audit reports..
- ▶ meet privately with the external auditor at least once per year.

### **Annual Work Plan**

The committee will prepare a work plan that outlines the activities to be undertaken to achieve the committee's functions.

### **Sub-committees**

The committee may establish one or more sub-committee/s to assist the full committee in meeting its responsibilities, in consultation with the Auditor-General.

The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by the full committee.

Committee sub-committees should not assume any management functions nor should management exert inappropriate influence over the work of sub-committees.

## Reporting

The committee will, as often as necessary, and at least once a year, report to the Auditor-General on its operation and activities during the year and confirm to the Auditor-General that all functions outlined in the charter have been satisfactorily addressed.

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

The committee will make arrangements for the regular provision of feedback on its operation and activities to the ANAO Executive Board of Management.

## Administrative arrangements

### Meetings

The committee will meet at least four times per year. One or more special meetings may be held to review the ANAO's annual financial statements and performance statements or to meet other specific responsibilities of the committee.

The Chair is required to call a meeting if asked to do so by the Auditor-General, and decide if a meeting is required if requested by another member, Chief Internal Auditor or the external auditor.

### Planning

The committee 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.

### Quorum

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

### Secretariat

The Auditor-General, in consultation with the committee, will appoint a person to provide secretariat support to the committee. 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 committee advisers and observers, as appropriate.

### Conflicts of interest

Once each year, members of the committee will provide written declarations, through the Chair, to the Auditor-General declaring any material personal interests 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 Auditor-General, 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 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 the relevant agenda item(s). The Chair is also responsible for deciding, in consultation with the Auditor-General where appropriate, if he/she should excuse themselves from the meeting or from the committee'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.

### Induction

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

### Review arrangements

The Chair of the committee, in consultation with the Auditor-General, will undertake a review of the performance of the committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Auditor-General) with appropriate input sought from the Auditor-General, committee members, senior management, internal audit, the external auditor, and any other relevant stakeholders, as determined by the Auditor-General.

At least once a year the committee will review this charter. This review will include consultation with the Auditor-General. Any substantive changes to the charter will be recommended by the committee and formally approved by the Auditor-General.

Approved



Auditor-General

29 /10 / 2020