

# Audit Finance and Risk Committee Charter



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# 1. Introduction

## *Name of Committee*

Audit, Finance and Risk Committee of the Board of Old Parliament House (the Committee).

## *Establishment*

The Board of Old Parliament House (Board) has established the 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.

# 2. Purpose and Functions

The Committee is a sub-committee of the Board of the Old Parliament House (OPH) established to assist the Board discharge its responsibilities under the Public Governance, Performance and Accountability (Establishing Old Parliament House) Rule 2016 and the *Public Governance, Performance and Accountability Act 2013* in respect of financial reporting, performance reporting, risk oversight and management, internal control and compliance with relevant laws and policies.

The Committee is not responsible for the executive management of these functions. The Committee will engage with management in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Board.

The Committee's functions are to:

- a) Review the appropriateness of OPH's:
  - i. Financial reporting
  - ii. Performance reporting
  - iii. System of risk oversight and management, and
  - iv. The system of internal control

The Committee will provide independent advice and assurance on the integrity of OPH's administration of internal audit, governance arrangements, responses to relevant Parliamentary Committee reports and accountability responsibilities.

Responsibilities in support of these objectives are detailed in Section 7.

## **3. Composition and tenure**

### **3.1 Committee Members**

The Committee must comprise a minimum of three persons (members) appointed by the Board, none of whom can be an employee of OPH. The Committee must not comprise more than five members.

Membership will be reviewed by the Board at least every three years with the aim of ensuring an appropriate balance between continuity of membership, contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills, and experience.

The members must have appropriate qualifications, knowledge, skills, or experience to assist the Committee to perform its functions. Members should be financially literate (that is, able to read and understand financial statements). At least one member should have accounting or related financial management experience and /or qualifications, and a comprehensive understanding of accounting and auditing standards. Collectively the Committee should possess broad business, financial management and /or public sector experience, and general knowledge of most of the areas listed below:

- a) the cultural and heritage sectors
- b) risk identification, evaluation, and management
- c) project and program management
- d) information management, cyber security, and security
- e) the operations of government and the public sector, including information technology systems and controls
- f) the roles of internal and external audit
- g) the application of accounting, auditing, and assurance standards
- h) relevant legislative and other policy requirement of OPH
- i) public sector reporting requirements, including financial and performance reporting
- j) internal control, compliance activities and fraud control.

The following persons must not be a member of the Committee:

- a) the Chair of the Board

All members will be appointed based on their specific skills and experience and are members in their own right. They are not appointed as representatives of an organisational component.

### **3.2 Chair and Deputy Chair**

The Board will appoint a Chair of the Committee. The Committee may appoint a Deputy-Chair who will act as the Chair in the absence of the Chair.

### **3.3 Observers**

The OPH Director, Deputy Director and Chief Financial Officer cannot be members of the Committee, however may attend meetings in an advisory capacity. Other Board members and management representatives may also attend meetings as advisors or observers as determined by the Chair and Committee Members.

Representatives of the Australian National Audit Office (ANAO) and the Internal Audit service provider will be invited to attend meetings of the Committee as observers.

### **3.4 Terms and Reappointment**

The initial term of Committee members will not exceed three years. Committee Members are eligible for reappointment by the Board for further three-year terms with no maximum number of total years.

Where a Committee member is also a member of the Board their membership of the Committee ceases when they cease to be a member of the Board.

A Committee member may resign by writing to the Chair of the Committee who will refer the resignation to the Board for formal consideration and acceptance as appropriate.

The Board may terminate the appointment of a member of the Committee for:

- a) misbehaviour or physical or mental incapacity
- b) bankruptcy
- c) Unauthorised absence for three consecutive meetings
- d) Failure to adequately perform their duties as a member.

## **4. Authority**

The Board authorises the Committee, within its responsibilities, to:

- a) obtain any information it requires from:
  - i. any employee (all employees are required to fully co-operate with any request made by the Committee)
  - ii. external parties (subject to their legal obligation to protect information)
- b) discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations)
- c) request the attendance of a Board member, the Director, any employee of OPH, or external parties at Committee meetings
- d) obtain outside legal or other independent professional advice, as considered necessary to meet its responsibilities.

## **5. Sub-committee structure**

The Committee may establish one or more sub committees to assist the full Committee in meeting its responsibilities. In such instances, the Chair of the Committee will appoint a member of the Committee as Chair of the sub-committee and members with specific technical skills and qualifications to provide a high standard of advice and support to the Committee. Membership of the sub-committee could extend beyond the full Committee if additional expertise on particular matters is required.

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

Sub-committees established will adhere to this Charter unless otherwise agreed, documented, and approved by the Committee.

## **6. Responsibilities of the Chair**

The Committee Chair's responsibilities will include:

- a) leading discussion and encouraging the participation of other members, and focusing the Committee's deliberations on the most important issues
- b) seeking the input of observers or other experts to maximise their contribution to the Committee's deliberations
- c) summarising discussion outcomes and actions, including assigning responsibility and timeframes for actions
- d) assisting Committee members in maintaining a good understanding of OPH's objectives, business needs, risks, and priorities
- e) finalising the agenda for each meeting with the Committee secretariat
- f) reporting formally and informally to the Board
- g) attending formal and informal meetings with senior management, and the ANAO as required
- h) arranging for a periodic review of the effectiveness of the Committee against its charter.

## **7. Responsibilities of the Committee**

### **7.1 Financial reporting**

The Committee will review and provide advice on the appropriateness of:

- a) annual financial statements

- b) information (other than the annual financial statements) requested by Department of Finance in preparing the Australian Government consolidated financial statements, including the supplementary reporting package;
- c) processes and systems for preparing financial reporting information;
- d) financial record keeping;
- e) processes in place to allow OPH to stay informed throughout the year of any changes or additional requirements in relation to the financial reporting;
- f) areas of significant judgement and financial statement balances that require estimation
- g) significant or unusual transactions
- h) the auditor's judgments about the adequacy of OPH's accounting policies and the quality of OPH's processes for the preparation of OPH's financial statements, through discussions with the ANAO; and,
  - i. whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures.
  - ii. processes to ensure that financial information included in the OPH annual report are consistent with the signed financial statements.

The Committee will provide a statement to the Board which includes:

- a) whether the annual financial statements, in the Committee's view, comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance;
- b) whether OPH has provided the information required by Department of Finance for the purpose of preparing the Australian Government consolidated financial statements;
- c) in respect of the appropriateness of OPH's financial reporting which includes reference to any specific areas of concern or suggestions for improvement

## **7.2 Performance reporting**

The Committee will review and provide advice on the appropriateness of OPH's systems and procedures for assessing and reporting the achievement of OPH's performance. In particular, the Committee will satisfy itself that for OPH:

- a) the Portfolio Budget Statements and corporate plan include details of how their performance will be measured and assessed;
- b) the approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and Corporate Plan is sound, and has considered guidance issued by the Department of Finance; and
- c) there are sound processes in place for the preparation of its annual Performance Statement and the inclusion of the Statement in its annual report.

The Committee will review the annual performance statements and provide advice to the Board on their appropriateness to OPH. The Committee will provide a statement to the Board whether, in their view, the OPH's annual performance statements and performance reporting is appropriate, with reference to any specific areas of concern or suggestions for improvement.

## **7.3 System of risk oversight and management**

The Committee will review and provide advice on the appropriateness of OPH's



- a) enterprise risk management policy framework and the necessary internal controls for the effective identification and management of the OPH's risks, in keeping with the [Commonwealth Risk Management Policy](#);
- b) approach to managing the OPH's key risks—including those associated with individual projects and program implementation and activities;
- c) process for developing and implementing the OPH's fraud control arrangements consistent with the [Commonwealth Fraud and Corruption Control Framework](#), and satisfy itself that the OPH has adequate processes for detecting, capturing, and effectively responding to fraud risks; and,
- d) articulation of key roles and responsibilities relating to risk management and adherence to them by officials of OPH.

The Committee will provide a statement to the Board whether in their view, the Board's system of risk oversight and management is appropriate with reference to the Commonwealth Risk Management Policy and any specific areas of concern or suggestions for improvement.

## 7.4 Systems of internal control

The Committee will review and provide advice on the appropriateness of OPH's:

- a) internal control framework
  - i. reviewing management's approach to maintaining an effective internal control framework and whether appropriate processes are in place for assessing whether key policies and procedures are complied with
  - ii. reviewing whether management has in operation relevant policies and procedures—such as Board instructions, delegations, a business continuity management plan, or bullying and harassment policies
- b) legislative and policy compliance
  - i. reviewing the effectiveness of systems for monitoring the OPH's compliance with laws, regulations, and associated government policies with which OPH must comply
  - ii. determining whether management has adequately considered legal and compliance risks as part of the OPH's enterprise risk management framework, fraud control framework and planning
- c) security compliance
- d) reviewing management's approach to maintaining an effective internal security system—including complying with [the Protective Security Policy Framework](#)—and ICT security policy, including cyber security
- e) Internal audit coverage
  - v. reviewing the proposed internal audit coverage, ensuring that the coverage considers OPH's primary risks, and recommending approval of the internal audit work plan by the Board or the nominated delegate.
  - vi. reviewing all internal audit reports, providing advice to the Board on major concerns identified in those reports, and recommending action on significant matters raised—including identification and dissemination of information on good practice.

The Committee will provide a statement to the Board on whether the Board's system of internal control is appropriate for the OPH, with reference to any specific areas of concern or suggestions for improvement.

#### *Business continuity management*

The Committee will satisfy itself that a sound approach has been followed in establishing OPH's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

#### *Ethical and lawful conduct*

The Committee will 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.

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

The Committee will satisfy itself that the OPH has appropriate mechanisms for reviewing relevant Parliamentary Committee reports, external reviews, and evaluations of OPH and implementing, where appropriate, any resultant recommendations.

## **8. Audit services**

### **8.1 Internal audit**

- a) Advise the Board on the adequacy of internal audit resources, or budget, to carry out its responsibilities, including completion of the approved Internal Audit Work Plan.
- b) Coordinate, to the extent possible, the work programs of internal audit and other assurance or review functions.
- c) Monitor management's implementation of internal audit recommendations.
- d) Obtain an annual report from the internal audit service provider on the overall state of OPH's internal controls.
- e) Periodically review the performance of internal audit, and report the results to the Board
- f) In consultation with OPH management, endorse the appointment of the internal audit service provider
- g) Periodically meet privately with the internal audit service provider.

### **8.2 External audit**

The Committee will engage with the ANAO, as OPH's external auditor, in relation to the ANAO's financial statement and performance audit coverage. In particular, the Committee will:

- a) provide input and feedback on planned ANAO financial statement and performance audit coverage and provide feedback on services provided
- b) monitor management's responses to all ANAO financial statement management letters and performance audit reports, including the implementation of audit recommendations
- c) provide advice to the Board on action to be taken on significant issues raised in relevant ANAO reports
- d) meet privately with the ANAO at least once per year (if feasible, this should occur in association with the meeting at which the Committee considers OPH's audited Financial Statements).

## **9. Other**

Undertake other activities related to its responsibilities as requested by the Board.

## **10. Responsibilities of members**

Members of the Committee are expected to both understand and observe the legal requirements of the PGPA Act. Members are expected to have sound judgement, be objective and have the ability to:

- a) act in the best interests of OPH as a whole
- b) take a professional approach to their responsibilities, including an appropriate commitment of time and effort
- c) apply good analytical skills, objectivity, and good judgement
- d) express opinions frankly, ask questions that go to the fundamental core of an issue and pursue independent enquiry

## **11. Reporting by the Committee**

The Committee will regularly update the Board on its activities and make recommendations to the Board as appropriate.

The Chair of the Committee, or a committee member will report to the Board at the next Board meeting following a meeting of the Committee on any matters that the Committee considers should be brought to the attention of the Board.

The Committee will at least once annually confirm to the Board that all functions/responsibilities outlined in this charter have been carried out and comply with any other reporting requirements specified by the Board.

## **12. Disclosure requirements**

The OPH Annual report will include the following information about the Committee:

- a) A direct electronic address of the Committee Charter;
- b) The name of each member of the Committee;
- c) The qualifications, knowledge, skills, or experience of each member of the Committee;
- d) Information about each member's attendance at meetings of the Committee; and;
- e) The remuneration of each member of the Committee.

## **13. Administrative arrangements**

### **13.1 Meetings**

The Committee will meet as frequently as required but not less than four times a year including a special meeting which may be held to review OPH's annual Financial Statements and performance statement.

The Chair is required to call a meeting if asked to do so by the Board, and decide if a meeting is required if requested by another member, internal audit or ANAO.

An annual work plan, including meeting dates, proposed agenda items for each meeting, that covers all the responsibilities outlined in the charter will be agreed by the Committee each year.

### **13.2 Attendance at meetings and quorums**

Members will be expected to attend all meetings in person. However, video or teleconferencing is acceptable in circumstances where a member cannot attend in person. Member attendance cannot be delegated.

A quorum will consist of a majority of Committee members. The quorum must attend at all times during the meeting.

Other persons may be invited to attend Committee meetings as is deemed necessary by the Chair or Deputy Chair.

### **13.3 Secretariat**

OPH's Governance team will provide secretariat services to the Committee. After the Chair has approved the agenda, the secretariat will ensure the agenda and supporting papers for each meeting are circulated at least one week before the meeting.

The minutes of each meeting will be reviewed by the Chair and circulated within two weeks of the meeting to each member and as appropriate Committee observers. The minutes will be tabled as an agenda item at the following meeting. Once discussed, the minutes will be considered to have been read and confirmed.

### **13.4 Conflict of interest**

#### Meetings

Committee members and observers must declare any conflicts of interest at the start of each meeting. Details of any material conflicts of interest declared, and any actions taken, will be appropriately minuted.

Where members or observers at Committee meetings are deemed to have a real, or perceived, conflict of interest, and where required by the Chair, they will be excused from deliberations on the issue where a conflict of interest exists.

#### Annual

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

### **13.5 Induction and training**

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities. The Committee will adopt and maintain a program of training and awareness-raising for its members with the objective of enabling the Committee to keep abreast of contemporary developments and leading practices in relation to its functions.

Committee members may request any training they deem necessary to be provided.

### **13.6 Assessment arrangements**

The Chair of the Committee will at least once every two years initiate a self-assessment review of the performance of the Committee. The review will involve input from the Board, each Committee member, senior management, internal audit, the ANAO, any other relevant stakeholders, as determined by the Committee.

### **13.7 Review of charter**

The Committee will review this charter at least once every two years. This review will include consultation with the Board. Any substantive changes to the charter will be recommended by the Committee and formally approved by the Board.