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Services
Australia

Audit and Risk Committee Charter

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Introduction

The Chief Executive Officer (CEO) of Services Australia (the agency) has established the Audit and Risk Committee (ARC) in accordance 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).

Legislative functions

Consistent with subsection 17(2) of the PGPA Rule, the functions of the ARC include reviewing the appropriateness¹ of the CEO's financial reporting; performance reporting; system of risk oversight and management; and system of internal control for the agency.

Functions

Financial Reporting

The ARC will review and provide written advice to the CEO on the appropriateness of:

- a. the annual financial statements and whether, in the ARC's view, they comply with the PGPA Act, the PGPA Rule, the Accounting Standards and supporting guidance;
- b. the agency's consolidated financial statements supplementary reporting pack; and
- c. the agency's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

Performance Reporting

The ARC will review and provide written advice to the CEO on the appropriateness of:

- a. performance information included in the Portfolio Budget Statements and the Corporate Plan;
- b. the framework for developing and reporting performance information in line with the Commonwealth performance framework;
- c. the annual performance statements; and
- d. the agency's performance reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

System of risk oversight and management

The ARC will review and provide written advice to the CEO on the appropriateness of:

- a. the agency's enterprise risk management framework and associated procedures for effective identification and management of its risks consistent with the Commonwealth Risk Management Policy (CRMP);

¹ For the purposes of the PGPA Act, PGPA Rule, this Charter, and consistent with the rules of statutory interpretation, 'appropriateness' has its ordinary meaning of 'suitable or fitting for a particular purpose'.

- b. the approach to managing the agency's key risks, including those associated with projects, programme implementation, and activities;
- c. the agency's fraud and corruption control arrangements to detect, capture and effectively respond to fraud risks consistent with the Commonwealth Fraud and Corruption Control Framework (CFCC Framework); and
- d. the agency's system of risk oversight and management as a whole, with reference to the CRMP and CFCC Framework, referring to any specific areas of concern or suggestions for improvement.

System of internal control

The ARC will review and provide written advice to the CEO on the appropriateness of the agency's system of internal control by reviewing the following items and advising of any specific areas of concern or suggestions for improvement:

Internal control framework:

- a. whether relevant policies and procedures are in place, including Accountable Authority Instructions, delegations, bullying or harassment policies; and
- b. whether there are appropriate processes to assess compliance with key policies and procedures.

Legislative compliance: the systems for monitoring the agency's compliance with laws, regulations, and associated government policies.

Business continuity arrangements: including whether business continuity and disaster recovery plans are in place and have been periodically updated and tested.

Security compliance: management's approach to maintaining an effective security system through review of the agency's maturity against the Protective Security Policy Framework and the ICT security policy.

Audit arrangements including:

- a. that internal audit coverage takes into account the agency's key risks;
- b. internal audit work programme: reviewing and recommending approval by the CEO;
- c. audit reports: reviewing internal audit reports and Australian National Audit Office (ANAO) performance audits that relate to the agency and providing advice to the CEO on major concerns identified;
- d. audit recommendations: reviewing the implementation of agreed actions relating to recommendations from internal audits and ANAO performance audits that relate to the agency;
- e. internal audit charter: periodically reviewing that it includes appropriate authority, access and reporting arrangements; and
- f. ANAO: meet privately with ANAO representatives at least once a year.

Parliamentary committee reports and external reviews: the mechanisms for reviewing relevant parliamentary committee reports, external reviews and evaluations of the agency and reviewing the implementation of any resultant recommendations.

Ethical and lawful conduct: the steps taken to embed a culture that promotes the proper use and management of public resources and the commitment to ethical and lawful conduct.

Payment Accuracy: the systems in place for the effective management of payment accuracy.

Procurement and Contract Management: review the agency's procurement framework including planning, procurement risks and internal procurement controls.

Authority

The CEO authorises the ARC in performing its functions, to:

- a. seek any information it requires from any official of the agency or external party;
- b. discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- c. request legal or other professional advice, subject to approval by the appropriate delegate; and
- d. require the attendance of any official of the agency at meetings, as appropriate.

The CEO directs officials of the agency to cooperate with the ARC.

The ARC is directly accountable to the CEO for the performance of its functions. The ARC has no managerial responsibilities. It does not make decisions in relation to the agency's processes and functions. The ARC's role is to provide independent advice to the CEO.

Membership

Under subsection 17(3) of the PGPA Rule the ARC must consist of at least 3 persons, who have appropriate qualifications, knowledge, skills or experience to assist the ARC to perform its functions. The CEO will appoint the Chair and other members of the ARC.

Under subsection 17(4) of the PGPA Rule:

- a. all of the members of the ARC must be persons who are not officials of the agency; and
- b. a majority of the members must be persons who are not officials of any Commonwealth entity.

ARC members are appointed for an initial period determined by the CEO.

Membership of the ARC will be reviewed periodically (but at least every 3 years) by the CEO to support an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience.

Members may be re-appointed to the ARC for further periods as specified by the CEO.

Members of the ARC are expected to understand and observe the requirements of the PGPA Act and are also expected to:

- a. act in the best interests of the agency;
- b. apply strong analytical skills, objectivity and judgement;
- c. express opinions constructively and raise issues that relate to the ARC's responsibilities and pursue independent lines of enquiry; and
- d. contribute the time required to meet their responsibilities.

Senior Advisers and Advisers

The CEO will appoint two senior officials of the agency as permanent senior advisers to the ARC, at least one of whom will be at the Senior Executive Service (SES) Band 3 level.

Consistent with subsection 17(5) of the PGPA Rule, the CEO, the Chief Financial Officer (CFO), the Chief Information and Digital Officer and the Chief Audit Executive (CAE) may not be members of the ARC. The CFO, CAE, an SES representative from the Technology and Digital Programs Group, and an SES representative from the Strategy and Performance Group will attend meetings as advisers.

Representatives from the ANAO and external providers of internal audit services will not be members of the ARC however, they may attend relevant committee meetings (in whole or in part) as observers, as determined by the Chair.

Induction

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 a pre-engagement check prior to engagement. Members are required to hold and maintain a national security clearance to the level of Negative Vetting Level One.

Administrative arrangements

Meetings

The ARC will meet at least 6 times per year, and more often if required. Special meetings may be held to review the agency's annual financial statements and annual performance statements or to meet other specific responsibilities of the ARC.

The Chair will call a meeting if requested to do so by the CEO and may call a meeting if requested by another ARC member.

A quorum for any ARC meeting will be the majority of the members. Quorum must be in place for the duration of the meeting. If the Chair is not available for a meeting, one of the other members will act as Chair for that meeting.

Secretariat

The agency's Executive and Committee Secretariat will provide secretariat services to the ARC.

The Executive and Committee Secretariat will:

- ensure the Chair approves the agenda for each meeting;
- the agenda and supporting papers are circulated at least 5 business days before each meeting; and

- prepare and maintain records of meetings.

The record of meeting must be reviewed by the Chair and circulated in a timely manner to each member for comment prior to being included in the papers for endorsement at the next meeting.

Access to and use of information

The agency will provide the ARC with access to information that the ARC necessarily requires to carry out its functions and meet its responsibilities under its Charter.

ARC members are to respect any confidentiality, secrecy and privacy requirements attached to information provided to them in the course of carrying out their functions and meeting their responsibilities.

Reporting

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

The ARC will, as often as necessary, and at least once a year, report to the CEO on its activities against the functions outlined in this Charter.

Annual Work Plan

The ARC will develop and maintain, with the assistance of the Executive and Committee Secretariat, an annual work plan detailing activities to be undertaken in order to address the functions outlined in this Charter.

Review of the Audit and Risk Committee performance

The Chair will review the ARC's performance at least once every 2 years. The outcomes of this assessment will be reported to the CEO.

Review of Charter

The ARC will review this Charter annually and recommend approval by the CEO.

Sub-committees

The ARC may establish sub-committees to support the performance of its functions. The establishment of such sub-committees does not change the ARC's responsibilities under this Charter. The establishment of a remunerated sub-committee must be approved by the CEO prior to the sub-committee's first meeting.

The Terms of Reference, membership and reporting arrangements for each sub-committee shall be documented and approved by the ARC. Sub-committees must be chaired by an ARC Member.

Conflicts of interest

Once a year, and when otherwise required, ARC members will provide written declarations of any potential or actual conflicts of interest they may have in relation to their responsibilities as members of the ARC. Members should consider past employment, consultancy arrangements and related party issues when making these declarations.

At the beginning of each ARC meeting, members, senior advisers, advisers and observers will be required to declare any potential or actual conflicts of interest that may apply to specific matters on

the meeting agenda, including any actual or potential conflict previously notified or any changes thereto.

The Chair will determine how any actual or perceived conflict of interests will be managed which may include members, senior advisers, advisers or observers being excused from the meeting or from the ARC's consideration of the relevant agenda item(s).

The Chair is also responsible for deciding, in consultation with the CEO where appropriate, if he/she should excuse themselves from the meeting or from the ARC's consideration of relevant agenda items(s).

Details of any interests declared by the Chair, other members, senior advisers and observers, and actions taken, will be appropriately recorded in the record of meeting.

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