



Audit and Risk Committee Charter

FINAL – December 2020

Introduction

The Coordinator-General has established the Audit and Risk Committee 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 Act Rule 2014* (PGPA Rule).

Functions

The Audit and Risk Committee will provide independent advice to the Coordinator-General on the appropriateness of the National Drought and North Queensland Flood Response and Recovery Agency's (the Agency): financial reporting; performance reporting; systems of risk oversight and management; systems of internal control; and governance arrangements (including code of conduct). The Audit and Risk Committee should also provide advice that enhances the Agency's current approach to these arrangements.

This Charter is principles based with an accompanying annual work plan detailing the activities the Audit and Risk Committee will undertake in acquitting its functions. The Charter and annual work plan are approved by the Coordinator-General.

Responsibilities

Financial Reporting

The Audit and Risk Committee will provide written advice to the Coordinator-General on the appropriateness of the Agency's financial reporting as it relates to the annual financial statements. This will include reviewing:

- whether there is a current and comprehensive financial reporting framework and associated procedures for effective internal control (including appropriate management sign-offs), management responses to audit recommendations and adjustments, and compliance with the PGPA framework and relevant accounting standards, laws or regulations; and
- the annual financial statements and recommending signing of the financial statements by the Coordinator-General.

Performance Reporting

The Audit and Risk Committee will provide written advice to the Coordinator-General on the appropriateness of the Agency's performance reporting including the annual performance statements. This will include reviewing the Agency's:

- performance reporting framework, including for compliance with relevant legislation and guidance, being fit for purpose and supported by appropriate systems, processes and controls in order to support complete and accurate results;
- approach for developing appropriate measures against which the Agency assesses its performance; and
- systems and processes for the preparation of its Annual Performance Statement and the inclusion of the statement in its annual report.





System of Risk Oversight and Management

The Audit and Risk Committee will provide advice to the Coordinator-General on the appropriateness of the Agency's system of risk oversight and management, including compliance with relevant legislation and guidance. This will include:

- satisfying itself that management has in place a current and comprehensive risk management framework and that this is appropriate for the Agency's operating context and aligns with the *Commonwealth Risk Management Policy*;
- determining whether the risk management framework has been utilised in managing the Agency's major risks and identifying the prospect of emerging risks, including those associated with individual projects, program implementation, legal obligations, Work Health and Safety, financial risk, information security and management, and other business process activities;
- determining whether management has adequately developed risk management capabilities, including clearly articulated roles and responsibilities which are adhered to; and
- reviewing the adequacy and performance of the Agency's fraud control arrangements and regular reports on any actual, suspected or alleged fraud or corruption affecting the Agency's and how they responded to such instances.

System of Internal Control

Internal control framework

The Audit and Risk Committee will provide advice to the Coordinator-General on the appropriateness of the Agency's system of internal control, including compliance with relevant laws, regulations and associated government policies. This will include reviewing:

- whether the Agency's approach to maintaining an internal control framework is sound and effective, including for critical business processes, grant and loan administration, contract management, delegations, and ethical and lawful conduct;
- the adequacy of the Agency's governance arrangements, including as a purchaser of services from the Department of the Prime Minister and Cabinet;
- the Agency's approach to establishing business continuity planning arrangements, including whether business continuity and disaster recovery plans are periodically updated and tested;
- the effectiveness of systems for monitoring compliance with laws, regulations and associated government policy the Agency must comply with;
- the Agency's assurance arrangements to assess whether planned assurance activities provide sufficient comfort that key obligations, policies and procedures are complied with, and to identify gaps or inefficiencies in assurance activities; and
- the adequacy and performance of the Agency's protective security arrangements.

Audit and evaluation

The Audit and Risk Committee will review the effectiveness of the internal audit function and advise on the:

- proposed internal audit coverage in the Annual Internal Audit Work Plan and its alignment with the Agency's key risks. The Audit and Risk Committee will be consulted on and recommend the approval of the Internal Audit Work Plan to the Coordinator-General;





- findings of internal audits and management's response to the findings, including that the identified recommendations are being appropriately actioned;
- internal audit's annual report on the overall state of the Agency's internal controls;
- overall performance of the internal function against approved plans.

The Audit and Risk Committee will engage with the Australian National Audit Office (ANAO), the Agency's external auditor, in relation to the ANAO's financial statement and performance audit coverage. The Committee will also monitor management's responses and implementation of recommendations relating to ANAO financial statement management letters and reports and performance audit reports.

Membership

The Audit and Risk Committee will comprise of a minimum of four external members, appointed by the Coordinator-General, one of which will perform the role of Chair. Members shall be appointed for an initial term of approximately three (3) years. Members may be re-appointed for further periods, at the discretion of the Coordinator-General.

Composition of the Audit and Risk Committee will be reviewed by the Coordinator-General to ensure the appropriate balance of skills, knowledge and experience. The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Agency, including experience in:

- Legislative and financial management;
- Risk and performance management;
- Primary production; and
- Commonwealth/State grants programs and/or concessional loan administration.

Individual Responsibilities of Audit and Risk Committee Members

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:

- Have a sound understanding of the Agency's functions, objectives and operational context;
- Act objectively and in the best interests of the Agency;
- 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 adequately consider the papers provided.

Conduct of the Audit and Risk Committee

Authority

The Audit and Risk Committee is directly accountable to the Coordinator-General for the performance of its functions. It has no executive management responsibilities.

The Coordinator-General authorises the Audit and Risk Committee to obtain information from, hold discussions with, or request presentations by any official, external party or the external auditors, as it deems necessary to fulfil its objective.

From time to time the Audit and Risk Committee may seek advice from external specialists to assist discharge its functions. The engagement of external specialists must be authorised by the Coordinator General or their delegate and comply with the Commonwealth Procurement Rules.





Relationships Management

To support the Agency achieve better business outcomes, the Audit and Risk Committee will engage with management in a timely, constructive and professional manner in discharging its advisory responsibilities and formulating its advice to the Coordinator-General.

Management may present and/or provide reports to the Audit and Risk Committee within the scope of its functions.

Internal Audit

While day to day issues under the contract with the outsourced internal auditors will be handled by Management, the internal auditors will have direct access to the Audit and Risk Committee at any time. The Audit and Risk Committee will also meet privately with the internal audit service provider/s at least once per year.

ANAO

In undertaking its functions, the Audit and Risk Committee will engage with the ANAO, as the Agency's external auditor, in relation to the ANAO's financial statements and performance audit coverage. It will also meet privately with the ANAO at least once per year.

Reporting

The Audit and Risk Committee will report to the Coordinator-General annually on its operation and activities during the year to confirm to the Coordinator-General that all responsibilities and functions outlined in this charter have been satisfactorily addressed.

This will be in the form of an annual written statement outlining the Audit and Risk Committee's view of the appropriateness of the Agency's financial reporting, performance reporting, system of internal control and risk oversight and management, with reference to the responsibilities and functions outlined in this Charter.

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

Conflicts of Interest

Once each year, members will provide written declarations through the Chair, to the Coordinator-General, declaring any potential or actual conflicts of interest 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 Coordinator-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 Audit and Risk Committee meeting, members are required to declare any potential or actual conflicts of interest 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 Audit and Risk Committee's consideration of the relevant agenda item(s). Details of potential or actual conflicts of interest declared by members and action taken will be appropriately minuted.

If the Chair has an actual, perceived or potential conflict it will be managed with the Coordinator-General, or in the Coordinator-General's absence the Deputy Chair.





Access to and use of Information

Audit and Risk 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 Coordinator-General.

Assessment arrangements

The Chair of the Audit and Risk Committee, in consultation with the Coordinator-General, will initiate a review of the performance of the Audit and Risk Committee biennially. The review will be conducted on a self-assessment basis (unless otherwise determined by the Coordinator-General) with appropriate input sought from the Coordinator-General, Audit and Risk Committee members, and any other relevant stakeholders, as determined by the Coordinator-General.

Review of charter

The Charter will be updated as required, to reflect any changes in the Agency's operating environment.

The Audit and Risk Committee will review this Charter at least annually. Any changes to the Charter will be recommended by the Audit and Risk Committee, and formally approved by the Coordinator-General.

Administrative Arrangements

Meetings

The Audit and Risk Committee will meet at least four times per year. Special meeting(s) may be convened, at the Chair's discretion, in consultation with the Coordinator-General, to discuss any matter deemed sufficiently significant.

The Chair is authorised to appoint a Deputy Chair, who will act as chair when required.

The Chair is required to call a meeting if asked to do so by the Coordinator-General.

Meeting attendance by non-members

The Agency's Coordinator-General, Chief Operating Officer, Chief Financial Officer, internal auditor and external auditor will attend and participate in meetings as observers. The Audit and Risk Committee may, at its discretion, deal with particular issues or agenda items with none, some or all of the invitees listed in this paragraph. The Audit and Risk Committee may also ask such invitees to absent themselves from particular discussions.

Planning

The Audit and Risk Committee will develop an annual work plan that includes the dates, and proposed agenda items for each meeting for the forthcoming year, and covers all the responsibilities outlined in this Charter.

Quorum

A quorum will consist of three Audit and Risk Committee members. The quorum must be in place at all times during the meeting.

Secretariat

The Secretariat function is managed by the Chief Operating Officer. The Secretariat will:

- ensure the agenda for each meeting is approved by the Chair;
- ensure that the agenda and supporting papers are circulated, at least 5 days before the meeting;





- 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;
- follow-up on actions agreed during the meeting; and
- assist in keeping the Agency informed of the Audit and Risk Committee’s work.

Maintenance of Records

The Secretariat shall maintain records of all meeting papers and minutes, of the Committee’s key functional and administrative arrangements (remuneration, reappointment, conflict of interest declarations, etc.), reviews of the Committee and its Charter and any other material relevant to the conduct of the Committee or its meetings.

Induction

New members will receive relevant information and briefings on the business and operations of the Agency to assist them to meet their Audit and Risk Committee responsibilities. Should the Department of Finance institute an audit and risk learning program it would be expected that members of the Audit and Risk Committee would participate in such a program.

Annual Report Disclosures

The following information shall be disclosed in the Agency’s Annual Report: membership of the Audit and Risk Committee; qualifications, skills and experience of each member; details of each members attendance at meetings; and remuneration of each member.

Version Control

No.	Approval Date	Approver	Description	Preparer / Owner	Next Review
1	30 Jun 2019	CEO	Draft charter to reflect released IIA Guide and Department of Finance Guidance, APRA Prudential Inquiry into the CBA and Model Charters.	CFO	Nov 2020
2	28 Jan 2020	CG	Update to reflect new Agency terminology.	CFO	Nov 2020
3	Nov 2020	CG	Annual Review.	CFO	Nov 2021

