



Audit and Risk Committee Charter

Preamble

The Secretary of the Department of Home Affairs (the Department) is the Accountable Authority under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The Commissioner of the Australian Border Force (ABF) is responsible for the management of risk within the Australian Border Force and reports to the Minister for Home Affairs on ABF operational risks. The Commissioner is also designated 'Comptroller-General of Customs' and in that capacity has responsibility for enforcement of customs law and collection of border-related revenue.

Under section 15 of the *Australian Border Force Act 2015*, for the purposes of the PGPA Act, the Commissioner is an official of the Department.

The Secretary has established the Audit and Risk Committee (the Committee) in compliance with Section 45 of the PGPA Act and Section 17 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule).

In this Charter, references to the 'entity' are references to the Department and the ABF.

Objective

The objective of the Committee is to provide independent advice to the Secretary and ABF Commissioner on the appropriateness of the entity's financial and performance reporting, system of risk oversight and management, and system of internal control.

Functions

Section 17 of the PGPA Rule establishes mandatory functions for audit committees:

Functions of the Audit Committee

- 1) *The accountable authority of a Commonwealth entity must, by written charter, determine the functions of the audit committee for the entity.*
- 2) *The functions must include reviewing the appropriateness of the accountable authority's:*
 - a) *financial reporting; and*
 - b) *performance reporting; and*
 - c) *system of risk oversight and management; and*
 - d) *system of internal control for the entity.*

Consistent with subsection 17(2) of the Rule, the Secretary has determined that the functions of the Committee are to review and give independent advice about the appropriateness of the entity's:

1. **Financial reporting** – including providing written advice to the Secretary regarding:
 - i. whether the annual financial statements, in the Committee's view, comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance
 - ii. 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 pack) comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance
 - iii. the appropriateness of the entity's financial reporting as a whole, including any specific areas of concern or suggestions for improvement in how the Department manages financial reporting should also be provided.
2. **Performance reporting** – including the framework for developing and reporting key performance indicators for inclusion in the Department's portfolio budget statements, corporate plan and annual performance statement. The Committee will provide written advice to the Secretary regarding the appropriateness of :
 - i. the entity's annual performance statement, including compliance with the PGPA Act and Rule
 - ii. the entity's performance reporting as a whole including any specific areas of concern or suggestions for improvement in how the Department manages performance reporting should also be provided.
3. **System of risk oversight and management** – including providing written advice to the Secretary regarding:
 - i. the appropriateness of the entity's system of risk oversight and risk management as a whole, with reference to the Commonwealth Risk Management Policy. Any specific areas of concern or suggestions for improvement in how the Department manages risk should also be provided
 - ii. whether the processes for developing and implementing the entity's fraud control arrangements are consistent with the Commonwealth Fraud Control Framework, and the entity has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks.
4. **System of internal control** – including providing written advice to the Secretary regarding:
 - i. the entity's overall control environment, as reflected in its governance, risk management and assurance arrangements
 - ii. the systems for monitoring the entity's compliance with laws, regulations and associated government policies
 - iii. internal audit resourcing and coverage in relation to the entity's key risks, and recommending approval of the Internal Audit Plan by the Secretary
 - iv. internal and external audit reports, providing advice to the Secretary about significant issues identified, and monitoring the implementation of agreed actions

- v. the appropriateness of the entity's system of internal control, with reference to any specific areas of concern or suggestions for improvement to the controls and systems in place.

As far as is practicable, the Committee will indicate which matters it will consider during any given year in a forward plan, noting that it may consider other additional matters in response to changes in the entity's operating environment.

Authority

The Secretary authorises the Committee, within the scope of its functions, to:

- obtain any information it needs from any officer and/or external party (subject to their legal obligation to protect information);
- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- assist in the resolution of any disagreements between management and the external auditor regarding financial reporting;
- request the attendance of any officer at Committee meetings; and
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the entity's expense (subject to the Chair's approval and discussion with the Chief Operating Officer in the first instance and the Secretary if necessary).

Membership

Section 17 of the PGPA Rule establishes the following requirements in relation to membership of audit committees:

Membership of the Audit Committee

- 3) *The audit committee must consist of at least 3 persons who have appropriate qualifications, knowledge, skills or experience to assist the committee to perform its functions.*
- 4) *If the entity is a non corporate Commonwealth entity:*
 - (a) *all of the members of the audit committee must be persons who are not officials of the entity;*
and
 - (b) *a majority of the members must be persons who are not officials of any Commonwealth entity.*
- 5) *Despite subsections (3) to (4a), the following persons must not be a member of the audit committee:*
 - (a) *the accountable authority or, if the accountable authority has more than one member, the head (however described) of the accountable authority;*
 - (b) *the Chief Financial Officer (however described) of the entity;*
 - (c) *the Chief Executive Officer (however described) of the entity.*

The Committee will consist of at least three external members appointed by the Secretary.

The Secretary will appoint a Chair of the Committee. The Chair of the Committee is authorised to appoint a Deputy Chair, who will act as Chair in the absence of the Chair.

In appointing members to the Committee, the Secretary will have regard to:

- the entity's governance framework and assurance mechanisms;
- the appropriateness of their qualifications, knowledge, skills or experience to assist the Committee to perform its functions; and

- the key risks to the entity, including risks relating to program delivery and implementation.

Members may be supported at meetings by Senior Advisors with standing invitations issued by the Chair. Advisors will be Senior Executive Service members of the Department or ABF and will be appointed by the Secretary. These Senior Advisors will receive all papers and attend all meetings.

Representatives of external audit (Australian National Audit Office), the Chief Finance Officer, the Chief Audit Executive, the Chief Operating Officer and other advisors will be invited to attend meetings as observers as determined by the Chair.

Members will be appointed for an initial period not exceeding three years. Members may be reappointed after a formal review of their performance, for a further period not exceeding two years, unless otherwise agreed following discussions with the Chair and the Secretary.

Members of the Committee are expected to understand and observe the legal requirements of the *Public Governance and Accountability Act 2013*. Members are also expected to:

- act in the best interests of the Commonwealth;
- apply good analytical skills, objectivity and good judgment;
- express opinions constructively and raise issues that relate to the Department's responsibilities and pursue independent lines of enquiry; and
- contribute the time required to review the papers provided.

Induction and clearance

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 (and maintain) an Employment Suitability Clearance (ESC) as well as a national security clearance to the level of Negative Vetting Level One.

Independence

The Committee is directly accountable to the Secretary for the performance of its functions.

The Committee has no executive powers in relation to the operations of the entity. The Committee may only review the appropriateness of particular aspects of those operations, consistent with its functions, and advise the Secretary accordingly.

Responsibility for the appropriateness of the entity's financial reporting, performance reporting, system of risk oversight and management, and system of internal control rests with the Secretary and officials of the entity.

Members with a conflict of interest will notify the Committee as soon as these issues become apparent. Any member with a conflict of interest will absent themselves from discussions about relevant matters.

Meetings

The Committee will meet four times per year. Special meetings may be held to review the entity's annual financial statements and performance statement or to meet other specific responsibilities of the Committee.

The Chair is required to call a meeting if requested to do so by the Secretary or ABF Commissioner, and decide if a meeting is required if requested by another member, the Chief Audit Executive or the ANAO.

Reporting

Following each meeting, the Chair is to advise the Secretary and ABF Commissioner on key issues arising from the Committee's meeting and activities. The Chair may also meet with the Secretary and ABF Commissioner from time to time to discuss any matters related to the role of the Committee.

The Committee will, as often as necessary, and at least once a year, report to the Secretary and ABF Commissioner on its operation and activities during the year and confirm that all functions outlined in this charter have been satisfactorily addressed.

Annual Reporting Requirements

Section 17AG of the PGPA Rule establishes that the following information is to be included in the Annual Report.

Audit Committee

(2A) *The annual report must include the following:*

- (a) *a direct electronic address of the charter determining the functions of the audit committee for the entity;*
- (b) *the name of each member of the audit committee during the period;*
- (c) *the qualifications, knowledge, skills or experience of those members;*
- (d) *information about each of those members' attendance at meetings of the audit committee during the period;*
- (e) *the remuneration of each of those members.*

The Secretariat will liaise with members where necessary to facilitate the provision of this information.

Sub-committees

The Committee may establish one or more sub-committees to assist in meeting its responsibilities.

The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by the Committee, and shall stipulate that:

- a member of the Committee is appointed as a member of the sub-committee
- the membership of sub-committees could extend beyond members of the Committee if additional expertise on particular matters is required
- minutes of all meetings of sub-committees are taken and tabled for discussion at the next Committee meeting, and
- important issues that may require consideration by the Committee are brought to the attention of the Chair immediately following a sub-committee meeting so that the Chair is in a position to decide what action to take.

Secretariat

The Committee will be supported by a Secretariat, provided by the Audit and Assurance Branch. The Secretariat will ensure the Chair approves the agenda for each meeting; the agenda and supporting papers are circulated at least five business days before the meeting; and ensure the minutes of the meetings are prepared and maintained.

Minutes must be approved by the Chair and circulated within two weeks of the meeting to each member, Senior Advisor and Committee observer(s), as appropriate.

Attendance at meetings and quorums

A quorum will consist of at least two Committee members, one of whom must be the Chair or the Deputy Chair (if appointed). Unless otherwise agreed with the Chair, all Committee members are expected to attend each meeting in person, or via tele-conference or video-conference as appropriate. A substitute may not be sent if they are unavailable.

Conflicts of interest

At least once each year and when otherwise required, members of the Committee will provide written declarations to the Chair for provision to the Secretary declaring any potential or actual conflicts of interests they may have in relation to their responsibilities. Members should consider past employment and consultancy arrangements in making these declarations and the Committee 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 and Senior Advisors 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 Committee Chair, the member will be excused from the meeting or from the 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.

Review of performance

The Committee Chair, in consultation with the Secretary, will conduct a review of the performance of the Committee at least once every two years.

Review of the charter

At least once a year the Committee shall review this Charter against current best practice, relevant professional standards and any new legislation or regulations, and recommend any substantive changes for consideration by the Secretary.

Approved

Michael Pezzullo AO

Secretary

Department of Home Affairs

Date: 15 October 2021