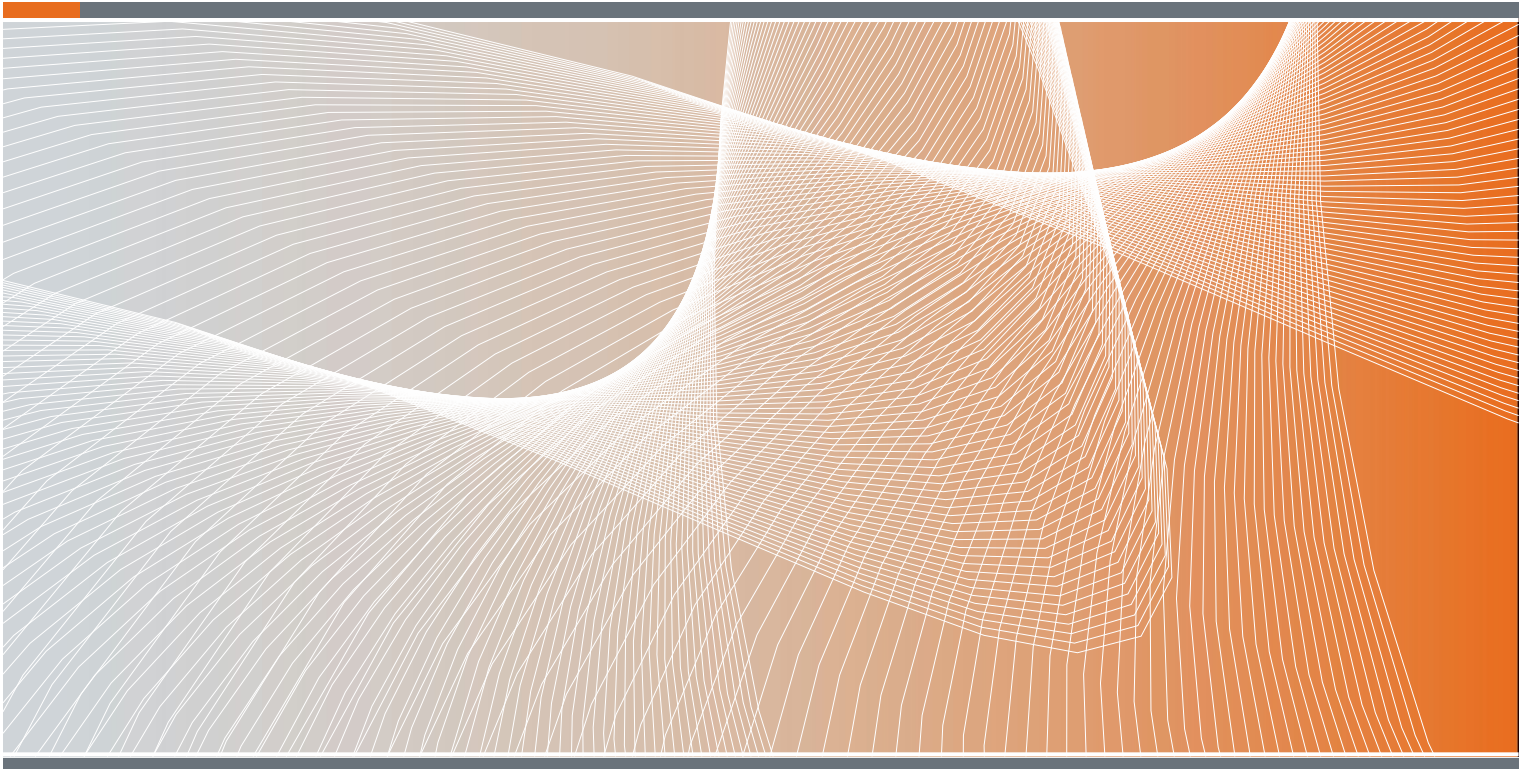




Australian Government
Department of Defence

Committee Charter

Defence Audit and Risk Committee



July 2023



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This document has been reviewed and approved by the personnel listed in the below table. Evidence of the approvals must be retained in accordance with Information Management policy.

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	Committee		
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Purpose

1. The Secretary and Chief of the Defence Force (CDF) of the Department of Defence (Defence) have established the Defence Audit and Risk Committee (the Committee) in accordance with Section 45 of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), Section 17 of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) and in accordance with the joint responsibilities of the Secretary and CDF under the Defence Act 1903.

Objective

2. The objective of the Committee is to provide independent advice to the Secretary and CDF.

Functions

3. Consistent with subsection 17(2) of the *PGPA Rule*, the functions of the Committee include reviewing the appropriateness of Defence's: financial reporting; performance reporting; system of risk oversight and management; and system of internal control.

Financial Reporting

4. The Committee will review and provide written advice to the Secretary and CDF on the appropriateness of:
 - a. the annual financial statements and their compliance with the PGPA Act, the PGPA Rule, and the Accounting Standards, and recommend the signing of the financial statements by the Secretary;
 - b. Defence's consolidated financial statements supplementary reporting pack; and
 - c. Defence's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

Performance Reporting

5. The Committee will review and provide written advice to the Secretary and CDF on the appropriateness of:
 - a. the framework for developing and reporting performance information including compliance with mandatory requirements of the PGPA Act and PGPA Rule;
 - b. performance information to be included in the Portfolio Budget Statements and the Corporate Plan;
 - c. performance information to be included in the annual performance statements; and
 - d. Defence's performance reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

System of risk oversight and management

6. The Committee will review and provide written advice to the Secretary and CDF on the appropriateness of:

- a. Defence's enterprise risk management framework and associated procedures for effective identification and management of its risks consistent with the Commonwealth Risk Management Policy;
- b. the approach to managing Defence's key risks, including those associated with projects, programme implementation, and activities;
- c. Defence's fraud control arrangements to detect, capture and effectively respond to fraud risks consistent with the Commonwealth Fraud and Corruption Control Framework; and
- d. Defence's system of risk oversight and management as a whole, with reference to the Commonwealth Risk Management Policy and Commonwealth Fraud and Corruption Control Framework, referring to any specific areas of concern or suggestions for improvement.

System of internal control

7. The Committee will review and provide written advice to the Secretary and CDF on the appropriateness of Defence's system of internal control by reviewing the following items and advising of any specific areas of concern or suggestions for improvement:
 - a. **internal control framework:**
 - whether key policies and procedures are in place, including Accountable Authority Instructions, delegations, bullying or harassment policies;
 - whether there are appropriate processes to assess whether key policies and procedures are complied with;
 - b. **legislative compliance:** the systems for monitoring Defence's compliance with laws, regulations and associated government policies;
 - c. **business continuity arrangements:** including whether business continuity and disaster recovery plans are in place and have been periodically updated and tested;
 - d. **security compliance:** management's approach to maintaining an effective internal security system through review of the Protective Security Policy Framework maturity levels and ICT security policy;
 - e. **audit arrangements** including:
 - that internal audit coverage takes into account Defence's key risks;
 - Internal Audit Work Program: reviewing and recommending approval by the Secretary;
 - audit reports: reviewing internal audit reports and ANAO performance audits that relate to Defence and providing advice to the Secretary and CDF on major concerns identified;
 - audit recommendations: reviewing the implementation of agreed actions relating to recommendations from internal audits and ANAO performance audits that relate to Defence;
 - f. **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; and

- g. **parliamentary committee reports and external reviews:** the mechanisms for reviewing relevant parliamentary committee reports, external reviews and evaluations of Defence, and reviewing the implementation of any resultant recommendations.

Composition and Operation

Membership

- 8. The Secretary and the CDF appoint the members of the Committee including the Chair and Deputy Chair of the Committee. Under Subsection 17(3) of the *PGPA Rule* the Committee must consist of at least three (3) persons.
- 9. Under Subsection 17(4) of the *PGPA Rule*, from 1 July 2021:
 - a. All of the members of the Committee must be persons who are not Defence officials; and
 - b. A majority of the members must be persons who are not officials of any Commonwealth entity.
- 10. Members of the Committee are expected to attend all meetings and may not be represented by others.
- 11. The Vice Chief of the Defence Force (VCDF) and the Associate Secretary will be appointed as permanent senior Advisers to the Committee.
- 12. The permanent senior Advisers are expected to attend all meetings and may be represented only by a person acting officially in the position of VCDF and the Associate Secretary.
- 13. When a permanent senior Adviser is unavailable to attend a meeting and there is no official acting arrangement in place, an alternative representative may attend only with the Chair's pre-approval, sought via the Committee secretariat.
- 14. Members of the Committee will be appointed for an initial period determined by the Secretary and the CDF. Members of the Committee may be re-appointed after a formal review of their performance for further periods as specified by the Secretary and the CDF.
- 15. Consistent with subsection 17(5) of the *PGPA Rule*, the Secretary, CDF, Chief Information Officer, Chief Finance Officer and the First Assistant Secretary Defence Integrity may not be members of the Committee.
- 16. The Chief Finance Officer, Chief Information Officer and the First Assistant Secretary Defence Integrity will attend committee meetings as advisers.
- 17. Representatives from the Australian National Audit Office may attend committee meetings (in whole or in part) as observers.

Committee Members' Responsibilities

- 18. Members of the Committee are expected to understand and observe the legal requirements of the PGPA legislation and are also expected to:
 - a. act in the best interests of Defence;
 - b. apply good analytical skills, objectivity and good judgement;
 - c. express opinions constructively and raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry; and
 - d. contribute the time required to meet their responsibilities.

Ensure Transparency through Full Disclosure

19. Once a year, and when otherwise required, members of the Committee will provide written declarations of any potential or actual conflicts of interest they may have in relation to their responsibilities as members of the Committee. Members should consider past employment, consultancy arrangements and related party issues when making these declarations.
20. At the beginning of each Committee meeting, members, 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.
21. The Chair will determine how any actual or perceived conflict of interests will be managed which may include members, advisers or observers being 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 Secretary where appropriate, if they should excuse themselves from the meeting or from the Committee's consideration of relevant agenda items(s). Details of any material personal interests declared by the Chair, other members, advisers and observers, and actions taken, will be appropriately recorded in the outcomes.

Committee Authority

22. The Secretary and CDF authorise the Committee, in performing its functions, to:
 - a. seek any information it requires from any official of Defence or external party;
 - b. request legal or other professional advice, subject to approval by the appropriate delegate; and
 - c. require the attendance of any official of Defence at meetings, as appropriate.
23. The Secretary and CDF direct officials of Defence to cooperate with the Committee.

Independence

24. The Committee is directly accountable to the Secretary and CDF for the performance of its functions.
25. The Committee has no executive powers in relation to the operations of Defence. The Committee may only review the appropriateness of particular aspects of those operations, consistent with its functions, and advise the Secretary and CDF accordingly.

Sub-committees

26. The Committee may establish sub-committees to support the performance of its functions. The establishment of such sub-committees does not change the Committee's responsibilities under this Charter.
27. The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by the Committee.
28. The Committee has established the Financial Reporting Sub-Committee (FRSC). The Terms of Reference of the FRSC are reviewed and endorsed by the Committee annually.

Committee Processes

Meeting Frequency

29. The Committee will meet at least six times per year, and more often if required. Special meetings may be held to review Defence's annual financial statements and annual performance statements or to meet other specific responsibilities of the Committee.
30. The Chair will call for any additional meetings if directed by the Secretary and/or CDF, or if requested by another Committee member.
31. The Committee is authorised to make decisions out of session between meetings. Any such decisions shall be in writing and documented at the next meeting of the Committee.

Quorum

32. A quorum for any Committee meeting will be two (2) members, one (1) of whom must be the Chair or the Deputy Chair.

Secretariat

33. Defence will provide secretariat services and support to the Committee, through the Enterprise Committees Secretariat.
34. The Secretariat will ensure the Chair approves the agenda for each meeting; the agenda and supporting papers are circulated at least five (5) business days before each meeting; and the outcomes of each meeting are prepared and maintained.
35. Outcomes must be reviewed by the Chair and circulated in a timely manner to each member prior to being included in the papers for approval at the next meeting.

Annual Work Plan

36. The Committee will document the matters it will consider during any given year through an annual work plan. The work plan will include the proposed agenda items for each meeting and cover all of the functions outlined in this Charter.

Reporting

37. The Chair will report to the Secretary and CDF after each meeting. Any matter deemed of sufficient importance will be reported to the Secretary and CDF immediately.
38. The Committee will, as often as necessary, and at least once a year, report to the Secretary and CDF on its operation and activities against the responsibilities outlined in this Charter.

Defence Annual Report Requirements

39. Section 17AG (2A) of the *PGPA Rule* establishes that the following information in relation to the Committee is to be included in the Defence Annual Report:
 - a. A direct electronic address of this Charter that determines the functions of the Committee;
 - b. The name of each member of the 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 Committee during the period; and
- e. The remuneration of each of those members.

The Secretariat will liaise with the Members to facilitate the provision of this information.

Record-Keeping

- 40. The Committee Secretariat must maintain committee records in accordance with the Department's Records Management Policy, its obligations under the *Archives Act 1983* and Section 37 of the *Public Governance, Performance and Accountability Act 2013*.

Review of Charter

- 41. The Committee will review this Charter at least annually, and endorse it for approval by the Secretary and CDF.