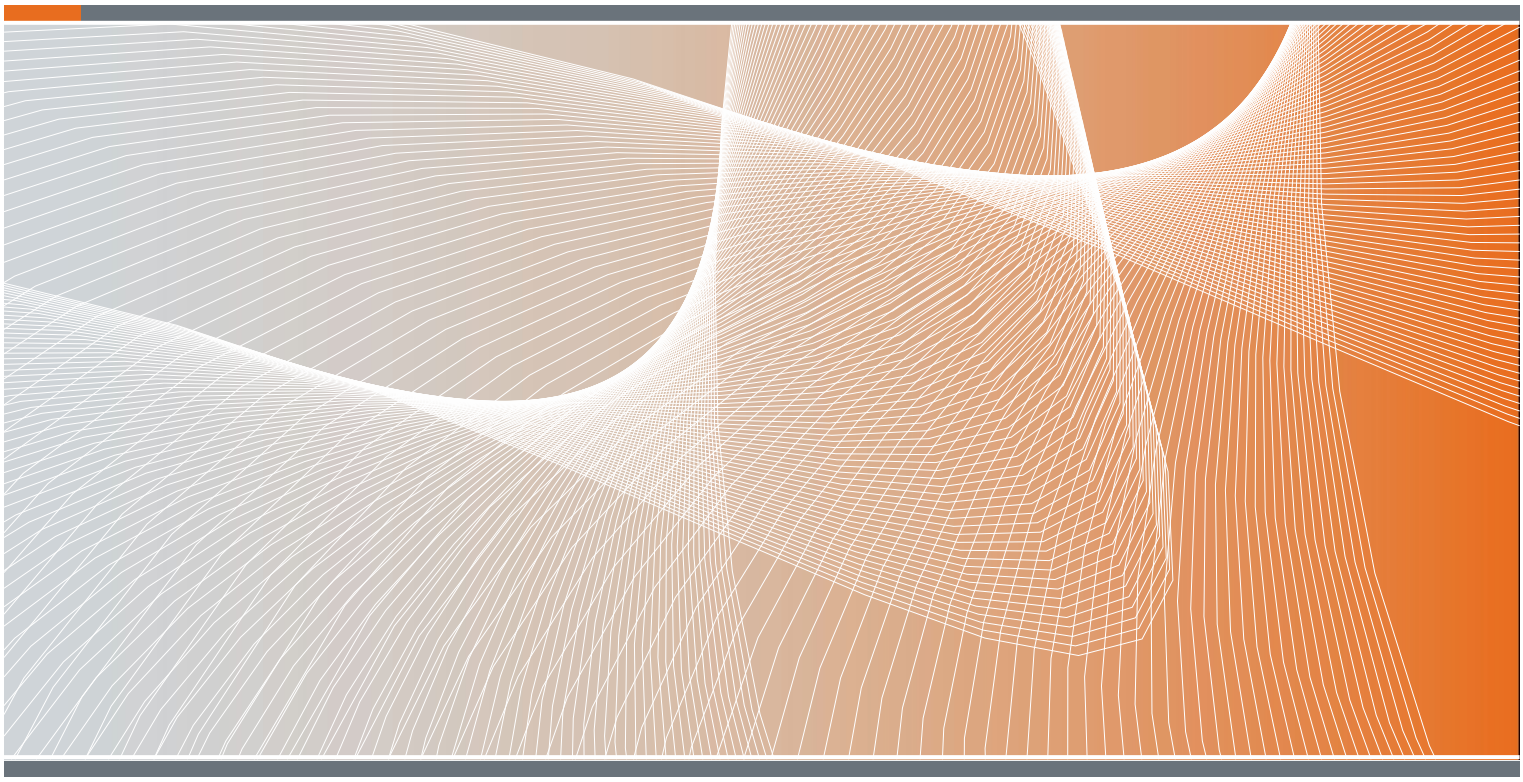
Australian Government
Defence

Committee Charter

Defence Audit and Risk Committee



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Contents

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Reviews and approvals

This document has been reviewed and approved by the personnel listed in the below table.

Name	**Title**	**Role**	**Date**
Greg Moriarty ADML David Johnston	Secretary of Defence Chief of the Defence Force	Approvers	August 2024
Defence Audit and Risk Committee	Members Defence Audit and Risk Committee	Reviewer	July 2025
Greg Moriarty ADML David Johnston	Secretary of Defence Chief of the Defence Force	Approvers	August 2025
Defence Audit and Risk Committee	Members Defence Audit and Risk Committee	Reviewer	July 2026
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Purpose

1. The Secretary and the 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, assessing, monitoring 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 and corruption control arrangements to detect, capture and effectively respond to fraud and corruption 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** including:

      - whether key policies and procedures are in place, including Accountable Authority Instructions and financial delegations.

      - 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:** whether business continuity and disaster recovery plans are in place and have been periodically updated and tested.

   d. **security arrangements:** Defence's approach to maintaining an effective internal security system through review of the Protective Security Policy Framework compliance assessments and reports from the Chief Information Security Officer on Defence's cyber security risk and the cyber security strategy and uplift plan.

   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 and CDF.

      - 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.

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.

h. **procurement and contract management:** Defence's procurement and contract management framework including procurement risks and controls and the approach to maintaining policies and practices consistent with the Commonwealth Procurement Framework and Commonwealth Procurement Rules.

Composition and Operation

Membership

8. The Secretary and CDF appoint all members 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 are appointed as permanent Senior Advisers to the Committee.

12. The permanent Senior Advisers are expected to attend all meetings. 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 Defence Audit and Risk Committee Secretariat (the Secretariat).

13. Members of the Committee will be appointed for an initial period determined by the Secretary and 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 CDF.

14. Consistent with subsection 17(5) of the *PGPA Rule*, the Secretary, CDF, Associate Secretary, VCDF, Chief Information Officer, Chief Finance Officer and the First Assistant Secretary Defence Integrity may not be members of the Committee.

15. The Chief Finance Officer, Chief Information Officer and the First Assistant Secretary Defence Integrity (Chief Audit Executive) may attend committee meetings as Advisers.

16. Representatives from the Australian National Audit Office may attend committee meetings (in whole or in part) as Observers.

Responsibilities of the Chair

17. The Chair of the Committee, who is appointed by the Secretary and CDF, is responsible for the leadership of the Committee, including setting the agenda, facilitating discussions and ensuring the Committee's effective functioning.

18. The Chair is also responsible for:

    a. ensuring compliance with the Committee Charter;

    b. providing regular updates to the Secretary and CDF on Committee activities, progress in addressing audit recommendations, and on matters related to financial reporting, performance reporting, the system of risk oversight and management, and system of internal control.

Committee Members' Responsibilities

19. 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

20. Once a year, and when otherwise required, members of the Committee will provide written declarations of any potential or actual conflict 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.

21. At the beginning of each Committee meeting, members, advisers and observers will be required to declare any perceived, potential or actual conflict of interest that may apply to specific matters on the meeting agenda, including any actual, potential or perceived conflict previously notified.

22. The Chair will determine how any actual, potential 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 meeting outcomes.

Committee Authority

23. 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.

24. The Secretary and CDF expect officials of Defence to cooperate with the Committee.

Independence

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

26. 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

27. 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.

28. The responsibilities, membership and reporting arrangements for each sub-committee shall be included in a Terms of Reference document and approved by the Committee.

29. The Committee will review and endorse annually the Terms of Reference for each of their established sub-committees.

Committee Processes

Meeting Frequency

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

31. The Chair will call for any additional meetings if directed by the Secretary and/or CDF, if requested by another Committee member, or the Chief Audit Executive. Unless directed by the Secretary and/or CDF, prior approval from Defence, through the Chief Audit Executive, is required if exceeding more than 10 meetings in a calendar year.

Out of Session

32. 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

33. A quorum for any Committee meeting will be two (2) members. A quorum must be in place for the whole of the meeting. If the Chair is not available, an Acting Chair will be elected by the Chair, or by the two members present at the meeting.

Secretariat

34. Defence will provide secretariat services and support to the Committee through the Defence Audit and Risk Committee Secretariat (the Secretariat).

35. The Secretariat will ensure:

    a. the Chair approves the agenda and annual work plan for each meeting;

    b. meeting invitations are issued (including guests);

    c. the outcomes of each meeting are prepared and maintained; and

    d. the Committee intranet page is maintained.

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.

Meeting Papers

37. Committee meeting papers are to be prepared in adherence with the rules specified within the meeting paper template, where templates are used.

38. Committee meeting papers are to be cleared by the Sponsor and lodged with the Secretariat no later than eleven (11) business days prior to the meeting. The agenda and supporting papers are to be circulated at least five (5) business days before each meeting.

    - Where a meeting paper is not received by the lodgement date, the Sponsor must seek approval from the Chair, through the Secretariat, to determine if the item(s) are to be considered by the Committee.

    - Where a meeting paper is not received within five (5) business days of the meeting and the Chair has approved this arrangement, the Sponsor may be required, if requested by the Chair, to arrange for distribution of hard copy papers at the Committee meeting.

Meeting Outcomes

39. The Secretariat will draft meeting outcomes, capturing decisions and incorporating actions that clearly identify the Accountable Officer(s) for delivery, and timeframe to fulfil the action.

40. Accountable Officers are to ensure that decisions and actions arising from the Committee are implemented where they fall to their areas of accountability.

41. Meeting Outcomes must be provided in a timely manner for review by the Chair and each member. The Chair will approve the meeting outcomes prior to the next meeting.

Open Action Items

42. The Secretariat will maintain a register of open action items that will be tabled as a standing item at the Committee meeting. Only the Chair, or in the Chair's absence the Acting Chair, has the authority to agree closure of action items.

43. Accountable Officers are responsible for advising the Secretariat in writing, and with evidence if appropriate, when an action item is deemed complete and proposed for closure.

Reporting

44. 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.

45. 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

46. 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.

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

Record-Keeping

48. The 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 Committee Performance

49. The Chair will initiate a review of the performance of the Committee at least once every two years. The outcomes of the assessment will be reported to the Secretary and CDF.

Review of Charter

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