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Department of Veterans' Affairs

OFFICIAL

Audit and Risk Committee Charter and Governance Arrangements

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GLOSSARY

Acronyms and abbreviations

Acronym / Abbreviation	Description
ANAO	Australian National Audit Office
ARC	Audit and Risk Committee
CAE	Chief Audit Executive
DVA	Department of Veterans' Affairs
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	<i>Public Governance, Performance and Accountability Rule 2014</i>

REVISION HISTORY

Amendments/revisions of this manual are recorded below in order of most recent first

Version	Date	Parts/Sections	Details
2.0	June 2024	All	Streamline and update all sections
1.0	June 2023	All	First issue

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1. INTRODUCTION

The Secretary of the Department of Veterans' Affairs (DVA) has established the Audit and Risk Committee (ARC) in compliance 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) - Audit committee for Commonwealth entities.

2. ROLE

The ARC is established by the Secretary to provide independent advice on the appropriateness of the Secretary's responsibilities under the PGPA Rule in respect of

- a. financial reporting
- b. performance reporting
- c. systems of risk oversight and management
- d. systems of internal control.

The Secretary may choose to confer other functions on the ARC, but the nature and extent of those functions, and the manner in which they are to be performed, are matters for the Secretary.

The ARC will engage with management in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Secretary.

The ARC may undertake other activities related to the ARC's responsibilities as requested by the Secretary.

3. AUTHORITY

The Secretary authorises the ARC, within its responsibilities to

- a. obtain any information or papers it requires from any DVA official or external party (subject to any legal obligation to protect information)
- b. discuss any matters with the Australian National Audit Office (ANAO), or other external parties (subject to confidentiality considerations)
- c. request the attendance of any official of DVA at meetings, as appropriate
- d. request legal or other professional advice, subject to approval by the appropriate delegate, at DVA's expense, as considered necessary to meet its responsibilities
- e. seek approval from the Secretary to establish sub-committees that would assist the ARC in meeting its responsibilities. The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by the ARC.

The Secretary directs officials of the DVA to cooperate with the ARC.

The ARC is directly accountable to the Secretary for the performance of its functions. The ARC has no managerial responsibilities - no executive powers, supervisory functions or decision-making authority in relation to the operations, processes or functions of DVA. The ARC's role is to provide independent advice to the Secretary.

4. MEMBERSHIP

The Secretary will appoint the Chair of the ARC and other members of the ARC. The ARC must consist of a minimum of three independent persons* who have appropriate qualifications, knowledge, skills and experience to assist the ARC to perform its functions.

Under subsection 17(4) of the PGPA Rule

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

The Secretary may attend any ARC meeting as an observer and will advise the Chair of ARC of their intention to attend a meeting. The Secretary will attend at least one ARC meeting annually.

MEMBERS

ARC members will be appointed by the Secretary for an initial period of up to three years, after which they will be eligible for an extension or re-appointment for a further period as agreed by the Secretary and subject to a review of their performance.

Membership of the ARC will be reviewed periodically (but at least every three years) by the Secretary with the aim of ensuring an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience.

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 Department
- 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
- d. contribute the time required to meet their responsibilities.

ADVISORS

The Secretary will appoint DVA advisors to assist the ARC in meeting their obligations by providing information about aspects of DVA's corporate and operational affairs.

DVA ARC advisors will be a member of the senior executive team and will attend all ARC meetings. Advisors are not members of the ARC, therefore they have no voting rights or other affirmative participatory prerogatives in relation to the ARC's deliberations.

*Independent persons is an individual who is not an official of DVA.

The advisor roles are positional based and the Secretary will approve the replacement advisor based on position.

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 of the ARC.

SKILLS AND BEHAVIOURS

The ARC will adopt and maintain a program of induction and briefing for members and advisors prior to commencement.

The key principles underpinning the DVA Code of Conduct also apply to the ARC, which include

- a. a duty of care to observe standards of professionalism, equity and justice when dealing with others
- b. an obligation to protect DVA's integrity and reputation, and to demonstrate due care in the responsible management of DVA's resources
- c. an obligation to act appropriately when a conflict arises between one's self-interest and his or her duty to DVA and the Australian Government.

5. FUNCTIONS

In accordance with subsection 17(2) of the PGPA Rule, the Secretary has defined the responsibilities of the ARC to include reviewing the appropriateness of DVA's

- a. financial reporting
- b. performance reporting
- c. systems of risk oversight and management
- d. systems of internal controls.

The ARC will provide an annual statement to the Secretary as to whether (in the ARC's view) DVA's financial reporting, performance reporting, systems of internal control and systems of risk oversight and management are appropriate, including any specific areas of concern and suggestions for improvement.

5.1 FINANCIAL REPORTING

The ARC will review and provide written advice to the Secretary 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. DVA's consolidated financial statements supplementary reporting pack
- c. DVA's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

5.2 PERFORMANCE REPORTING

The ARC will review and provide written advice to the Secretary 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 statement
- d. DVA's performance reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

5.3 SYSTEMS OF RISK OVERSIGHT AND MANAGEMENT

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

- a. DVA's enterprise risk management framework and associated procedures for effective identification and management of its risks consistent with the Commonwealth Risk Management Policy (CRMP)
- b. the approach to managing DVA's key risks, including those associated with projects, program implementation, and activities
- c. DVA'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)
- d. DVA'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.

5.4 SYSTEMS OF INTERNAL CONTROL

The ARC will review and provide written advice to the Secretary on the appropriateness of DVA's system of internal control by reviewing the following items.

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 DVA'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 DVA's maturity against the Protective Security Policy Framework and the ICT security policy.

AUDIT ARRANGEMENTS

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

PARLIAMENTARY COMMITTEE REPORTS AND EXTERNAL

The mechanisms for reviewing relevant parliamentary committee reports, external reviews and evaluations of DVA and reviewing the implementation of any resultant recommendations.

ETHICAL AND LAWFUL CONDUCT

Steps are taken to promote DVA's integrity framework through the proper use and management of public resources. This enables DVA to achieve its ethical and lawful conduct standards.

PROCUREMENT AND CONTRACT MANAGEMENT

- a. review DVA's procurement framework including procurement risks and internal procurement controls
- b. review major procurements and key contracts due for extension or replacement and the plans for extension replacement taking into account the Commonwealth Procurement Rules.

SUB COMMITTEES

- a. a member of the ARC will be appointed as Chair of the ARC of any sub-committees established by the ARC
- b. the membership of sub-committees may include persons other than members of the ARC if additional or specialised expertise on particular matters is required
- c. minutes of all sub-committee meetings are to be taken and distributed in a timely manner

- d. Sub-committee minutes will be tabled for discussion at the next most appropriate ARC meeting
- e. important issues that may require consideration by the ARC are to be brought to the attention of the Chair of the ARC immediately following a sub-committee meeting so that the Chair of the ARC is in a position to decide what action, if any, may need to be taken.

6. ENGAGEMENT WITH THE ANAO

The ARC will engage with the ANAO, as DVA's external auditor in relation to audit coverage, the financial and performance statements. The ARC will also:

- a. monitor management's responses to all ANAO financial statement management letters, reports, observations, ANAO performance audit reports, including the implementation of audit recommendations
- b. provide advice to the Secretary on any action that needs to be taken on significant issues raised in relevant ANAO reports
- c. meet exclusively with the ANAO at least once per year.

7. REPORTING

The ARC will regularly update the Secretary on its activities and make recommendations as appropriate.

The Chair of the ARC will report to the Secretary following each meeting of the ARC on matters that the ARC considers need to be brought to the attention of the Secretary.

The ARC will provide an annual report to the Secretary within three months of the end of the current financial year on its operations and activities during the year.

This report will include:

- a. a summary of the work the ARC performed in discharging its responsibilities during the preceding committee year
- b. a summary of DVA's progress in addressing the findings and recommendations made in internal reports of which the ARC is aware and external reports that the ARC has commissioned, as well as other reports (e.g. parliamentary committee reports). In the case of such other reports, only where those reports have been referred to the ARC by the Secretary
- c. an overall assessment of appropriateness of DVA's financial reporting, performance reporting, systems of internal control and systems of risk oversight and management
- d. details of meetings held during the relevant period, including the number of meetings each member attended.

8. ADMINISTRATIVE ARRANGEMENTS

The ARC will meet at least four times per year. Additional meetings may be held to review DVA's annual financial and performance statements or to meet other responsibilities of the ARC.

All ARC members are expected to attend each meeting, in person or via videoconference.

The Chair of the ARC is required to call a meeting if asked to do so by the Secretary. The Chair of the ARC will decide if an additional meeting is required should this be requested by an ARC member or the Chief Audit Executive.

The ARC will develop a forward meeting schedule that includes the dates, location, and proposed agenda items for each meeting by July of the forthcoming committee financial year.

8.1 QUORUM

A quorum will consist of a majority of ARC members. The quorum must be in attendance at all times during the meeting, in whatever form is agreed to by the Chair of the ARC.

8.2 SECRETARIAT

The secretariat will ensure that:

- a. the agenda for each meeting is approved by the Chair of the ARC
- b. the agenda and supporting papers are circulated at least one week before the meeting
- c. the minutes of the meetings are prepared and maintained.

Minutes must be reviewed by the Chair of the ARC and circulated within ten business days of each ARC meeting. Minutes will be provided to each member and ARC attendees as appropriate.

9. CONFLICTS OF INTEREST

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

At the beginning of each ARC meeting, members, advisors and observers are required to declare any potential or actual conflicts of interest that may apply to specific matters on the meeting agenda.

The Chair of the ARC in consultation with the CAE will determine how any actual or perceived conflicts of interests will be managed which may include members, advisors or observers being excused from the meeting or from the ARC's consideration of the relevant agenda item(s). Details of any conflicts of interest will be recorded in ARC meeting minutes.

10. INDUCTION

New ARC members will receive relevant information and briefings on their appointment and to assist them to meet their responsibilities.

11. ASSESSMENT ARRANGEMENTS

The Chair of the ARC will initiate a self-assessment of the performance of the ARC annually as outlined in the ARC work plan. The review will involve input from each ARC member, advisors and key stakeholders.

12. REVIEW OF CHARTER

A formal review of the ARC charter will be undertaken in consultation with the Secretary every two years. Any substantive changes in government policy or DVA operations impacting the ARC functions may also trigger an update to the charter.