



CLIMATE  
CHANGE  
AUTHORITY

# AUDIT COMMITTEE CHARTER

EFFECTIVE FROM: 24 SEPTEMBER 2024



Australian Government  
Climate Change Authority

# Audit Committee Charter

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## 1. Role and Purpose of the Audit Committee

The Chief Executive Officer has established the Audit Committee (the Committee) 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 Committees for Commonwealth Entities*.

The objective of the Committee is to provide independent assurance, advice, support and assistance to the Chief Executive Officer (as accountable authority under the PGPA Act) on the appropriateness of the Climate Change Authority's (the authority's) financial and performance reporting, system of risk oversight and management, and system of internal control.

The Committee will act as an advisory committee to the Chief Executive Officer and review reports and make recommendations regarding the adequacy and effectiveness of the authority's financial and performance reporting, system of risk oversight and management and system of internal control.

The Committee will oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information and conformance with relevant accounting standards and requirements and direct internal audit focus to achieve appropriate levels of assurance.

The authority's process for monitoring compliance with financial laws and regulations and its own internal policies, such as the Accountable Authority Instructions will also be appraised by the Committee.

To fulfil the core functions, the Committee will require a sufficient understanding of the authority's operating environment, accountable authority's risk appetite, and governance requirements in addition to reviewing compliance with mandatory requirements with various instruments including the PGPA Act, the PGPA Rule, Accounting Standards, Commonwealth Performance Framework, Commonwealth Risk Management Policy and consider advice given in supporting evidence.

## 2. Functions of the Committee

Subsections 17(1) and 17(2) of the PGPA Rule establish 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.

### 2.1 Financial reporting

The Committee will review the appropriateness of the accountable authority's financial reporting for the authority, in compliance with subsection 17(2)(a) of the PGPA Rule. To fulfill this function the Committee will;

- review and provide advice on the appropriateness of processes and systems for preparing financial reporting information, financial record keeping and key internal controls and that the financial statements are supported by appropriate Senior Executive sign-off;
- review the annual financial statements and information (other than annual financial statements) requested by the Department of Finance (Finance) in preparing the Australian Government's consolidated financial statements, including the supplementary reporting package and provide advice to the Chief Executive Officer on their appropriateness and recommend their signing by the Chief Executive Officer;
- provide advice on the appropriateness of processes in place to allow the authority to stay informed throughout the year of any changes or additional requirements in relation to financial reporting;



The Committee must provide a written statement to the Chief Executive Officer on whether in its view, the annual financial statements and additional information reporting as a whole is appropriate, and complies with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance, with reference to any specific areas of concern or suggestions for improvement.

### 2.2 Performance reporting

The Committee will review the appropriateness of the accountable authority's performance reporting for the authority, in compliance with subsection 17(2)(b) of the PGPA Rule. To fulfil this function the Committee will:

- review the appropriateness of the authority's performance reporting including the performance information, systems and framework, and the completeness and accuracy of the performance reporting processes that underpin the authority's performance reporting. Specifically, the Committee will satisfy itself that:
  - the authority's Portfolio Budget Statements and Corporate Plan contain appropriate details of how the entity's performance will be measured and assessed;

- the authority's approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and Corporate Plan is appropriate and in accordance with the Commonwealth performance framework. This may include reviewing, over time, particular elements of the performance measures;
- the authority has appropriate systems and processes for preparation of its annual performance statement and inclusion of the statement in its annual report.



The Committee must provide a written statement to the Chief Executive Officer on whether in its view, the Chief Executive Officer's annual performance statements and performance reporting as a whole is appropriate, and complies with the PGPA Act and PGPA Rule, with reference to any specific areas of concern or suggestions for improvement.

## 2.3 System of Risk Oversight and Management

The Committee will review the appropriateness of the accountable authority's system of risk oversight and management for the authority, in compliance with subsection 17(2)(c) of the PGPA Rule. To fulfil this function the Committee will:

- review whether management has in place a current and comprehensive enterprise risk management framework and associated procedures for effective identification and management of the authority's business and financial risks, including fraud, in keeping in line with Commonwealth Risk Management Policy;
- determine whether a sound and effective approach has been followed in managing the authority's major risks including those associated with individual projects, program implementation, and activities;
- assess the impact of the authority's enterprise risk management framework on its control environment and insurance arrangements;
- review the process of developing and implementing the authority's fraud and corruption control arrangements and satisfy itself that the authority has appropriate processes and systems in place to detect, capture and effectively respond to fraud and corruption related information;
- review reports on fraud and corruption that outline any identified allegations, the status of any ongoing investigations and any changes to identified fraud and corruption risks in the authority;
- confirm articulation of key roles and responsibilities relating to risk management and adherence to them by officials of the entity.



The Committee must provide a written statement to the Chief Executive Officer on whether in its view, the Chief Executive Officer's system of risk oversight and management as a whole is appropriate (with reference to the Commonwealth Risk Management Policy), including any specific areas of concern or suggestions for improvement.

## 2.4 System of Internal control

The Committee will review the appropriateness of the accountable authority's system of internal control for the authority, in compliance with subsection 17(2)(d) of the PGPA Rule. To fulfil this function the Committee will take into account and action the following;

### Internal Control Framework

- reviewing management's approach to maintaining an effective internal control framework and whether appropriate processes are in place for assessing whether key policies and procedures are complied with;

- reviewing whether management has in operation relevant policies and procedures—such as accountable authority instructions, delegations, a business continuity management plan, or bullying and harassment policies.

### Legislative and Policy Compliance

- review the effectiveness of the system for monitoring the authority's compliance with those laws, regulations and associated government policies that the authority must comply with;
- determine whether the Senior Executive's have appropriately considered legal and compliance risks as part of the authority's enterprise risk management framework, fraud and corruption control framework and planning; and
- provide advice to the Chief Executive Officer regarding the issue of the authority's annual Compliance Report.

### Security Compliance

- review the Senior Executive's approach to maintaining an effective internal security system including complying with the Protective Security Policy Framework.

### Internal Audit

- review the need for internal audit to ensure the coverage is aligned with the authority's key risks, and recommend approval of the Annual Work Plan (if needed) by the Chief Executive Officer;
- review all audit reports and provide advice to the Chief Executive Officer on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice;
- periodically review the performance of internal audit.



The Committee must provide a written statement to the Chief Executive Officer on whether in its view, the Chief Executive Officer's system of internal control as a whole is appropriate including any specific areas of concern or suggestions for improvement.

## 2.5 Additional Responsibilities

The authority requires the Committee to undertake the following additional functions beyond those prescribed by the PGPA Rule.

### External Audit

- act as a conduit for communication between the Chief Executive Officer, Senior Executive and external audit;
- provide input and feedback on financial statement and performance audit coverage proposed by external audit, and provide feedback on the audit services provided;
- review all external audit plans and reports in respect of planned or completed audits and monitor the Senior Executive's response and implementation of audit recommendations; and
- provide advice to the Chief Executive Officer on action to be taken on significant issues raised in relevant external audit reports or better practice guides.

### Ethical and Lawful Conduct

- assess whether the Chief Executive Officer has taken steps to embed a culture that promotes the proper use of Commonwealth resources and is committed to ethical and lawful behaviour.

## Business Continuity

- determine whether a sound and effective approach has been followed in establishing the authority's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

## 3. Authority

The Chief Executive Officer authorises the Committee in performing its functions and within the scope of the responsibilities outlined in this Charter to:

- ❖ conduct or authorise investigations into any matters within the Committee's scope of responsibilities outlined in this Charter. This includes advising the Chief Executive Officer to engage independent counsel and other advisors as it deems necessary to assist in the conduct of any investigation;
- ❖ have direct access to the Chief Executive Officer and the General Manager, Corporate | Chief Finance Officer;
- ❖ have unrestricted access, including requiring attendance at Committee meetings, to officers of the authority whose work is relevant to the Committee's scope of responsibilities outlined in this Charter;
- ❖ have unrestricted access to information necessary for the Committee to operate effectively;
- ❖ have direct access to external audit and if needed, internal audit; and
- ❖ advise the Chief Executive Officer on the appointment of any internal audit function.

## 4. Membership

The composition of audit committee membership have been prescribed by subsections 17(3) to (5) of the PGPA Rule.

Membership of the audit committee:

- (3) The Committee must consist of at least three (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 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 comprise at least three and no more than six members, including the Chair, appointed by the Chief Executive Officer for an initial term of not more than three years. Members of the Committee may be re-appointed for a further period not exceeding two years, unless otherwise agreed following discussions with the Chief Executive Officer.

The Chief Executive Officer will appoint a Chair for the Committee. The Committee is authorised to appoint a Deputy Chair who will act as Chair in the absence of the Chair.

In accordance with subsection 17(3) of the PGPA rule the members, taken collectively, will have a broad range of skills and experience. At least one member of the Committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

The Chief Executive Officer will review membership of the Committee at least once every three years.

New Committee members are provided with all relevant and necessary information to assist them to meet their responsibilities.

## **5. Administrative Arrangements**

### **5.1 Audit Committee Meetings**

The Committee will meet at least two times per year.

Meetings will be scheduled in line with an annual Work Plan approved by the Committee. Special meetings may be convened as required at the discretion of the Chair or if directed by the Chief Executive Officer.

The Chief Executive Officer, General Manager, Corporate | Chief Finance Officer and any other persons the Committee invites may attend Audit Committee meetings as observers.

Representatives of external audit will be invited to attend all meeting of the Committee as observers.

A quorum for any meeting will be a majority of members.

### **5.2 Secretariat Support**

The authority will provide secretariat support to the Committee as determined by the Chief Executive Officer

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 each meeting; and the minutes of each meeting are prepared and maintained.

The Secretariat will prepare any other reports required by law or requested by the Chief Executive Officer for approval by the Committee.

Minutes must be reviewed by the Chair and circulated in a timely manner each member and committee advisers and observers, as appropriate. Forming part of the minutes are a list of recommendations proposed in the committee meeting.

### **5.3 Work Planning**

The authority will develop a forward meeting schedule that includes the dates, location and proposed agenda items for each meeting for the forthcoming year, and that covers all the responsibilities in this Charter.

The authority will develop an annual Work Plan based on areas of responsibility and major issues to be considered by the Committee. The basis of the Work Plan will be this Charter and the Internal Audit Plan.

### **5.4 Reporting**

The Committee may, at any time, report any matter deemed of sufficient importance. The Chief Executive Officer will formally respond, at the following Committee meeting or as agreed with the Committee Chair, to the recommendations made by the Committee.



The Committee will, as often as necessary, report to the Chief Executive Officer on its operations and activities during the year against the responsibilities outlined in this Charter

### **Annual Reporting Requirements**

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

(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

## **5.5 Declarations of Interest**

Once a financial year, the Committee members will provide declarations to the authority stating they do not have any conflicts of interest that would preclude them from being members of the Committee.

The Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately documented and resolved to the satisfaction of the Chair (or the Chief Executive Officer in the case of the Chair).

Where members are deemed to have a real or perceived conflict of interest, it may be appropriate that they are excused from the Committee deliberations on the issue where a conflict of interest exists. This decision resides with the Chair (or the Chief Executive Officer in the case of the Chair).

## **5.6 Review of Charter**

The Committee will review at least annually the Audit Committee Charter. This review will include consultation with the Chief Executive Officer.

Any substantial changes to the Audit Committee Charter will be recommended by the Committee and formally approved by the Chief Executive Officer.

## **5.7 Review of Remuneration**

The General Manager, Corporate | Chief Finance Officer will review the remuneration for members of the committee at least every two years. This review will include consultation with the Chief Executive Officer.

## **5.8 Review of Functions**

The Committee Chair, in consultation with the Chief Executive Officer, will initiate a review of the Committee's performance once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chief Executive Officer) with appropriate input sought from the Chief Executive Officer, General Manager, Corporate | Chief Finance Officer, committee members, external audit and any other relevant stakeholders, as determined by the Chief Executive Officer.