

# Risk and Audit Committee Charter

## Department of Premier and Cabinet

21/69851

The Department of Premier and Cabinet (DPAC) has established a Risk and Audit Committee (RAC) in compliance with section 2.6 of the Treasurer's Instruction FC-2 "Internal Audit" issued in accordance with the *Financial Management Act 2016 (FMA)*.

### 1. Purpose

The Risk and Audit Committee (the Committee) is an advisory committee that has been established to:

- 1.1** Provide independent assurance to the Secretary of the Department of Premier and Cabinet on the Department's corporate governance and oversight in relation to corporate reporting processes, including the financial reporting process, internal control structure, risk management systems (financial and non-financial), compliance and the internal and external audit process.
- 1.2** Provide a forum for discussing risks and issues that may affect the operations of the Department.
- 1.3** Provide appropriate independence for internal audit functions, establishing an appropriate degree of separation of the function from Agency management.

### 2. Membership and Roles

- 2.1** Members of the committee are expected to understand and observe the legal requirements of the FMA. Members are also expected to:
  - act in the best interests of the Department as a whole;
  - apply good analytical skills, objectivity and good judgement;
  - raise issues that relate to the committee's responsibilities and pursue independent lines of enquiry; and
  - contribute the time required to meet their responsibilities.

- 2.2** The Committee will engage with management in a constructive and professional manner in discharging its advisory responsibilities and formulating its advice to the Secretary.
- 2.3** The Committee will comprise at least three members with at least two being independent. The Secretary can appoint additional members at any time. All new members will be inducted.
- 2.4** Non-independent members must not be directly responsible for areas of the Department's activities that are likely to be a significant component of the Committee's considerations.
- 2.5** Committee members must have a broad range of skills and experience relevant to the Department. It is desirable that at least one independent member will be professionally qualified with experience in finance and accounting.
- 2.6** Members of the Committee may be appointed or removed by the Secretary. Appointments will be for a maximum two-year period.
- 2.7** Committee members may be re-appointed after a formal review of their performance by the Secretary. No independent member will serve more than five years.
- 2.8** Background checks, including National Police Checks, will be completed prior to each appointment (or re-appointment) period to ensure members are suitable for the role.
- 2.9** It is the responsibility of each member to advise the Committee Liaison, as soon as possible, if they are being investigated or have been charged on a matter which would make the member unsuitable for the role. It will be at the discretion of the Secretary as to whether the member is permitted to remain in the role, required to take a period of absence or the appointment is ceased.
- 2.10** One of the independent members will be appointed by the Secretary to be the Chair of the Committee. In the absence of the appointed Chair, meetings will be chaired by an independent member.
- 2.11** Rotation of Committee membership is desirable, as is staggering the appointment of independent members.
- 2.12** Remuneration of independent members, if offered, will be set annually by the Secretary.
- 2.13** The Secretary, Internal Audit Contractor, Divisional Directors or other management representatives may attend meetings as advisers/observers, as determined by the Chair.
- 2.14** The Committee may invite other persons to attend meetings to assist the Committee as it deems necessary, whether on a permanent or ad-hoc basis.
- 2.15** A representative of TAO should be invited to attend each Committee meeting.

## 3. Authority and Duties

The Committee advises the Secretary and, except as provided below, can make decisions only by way of recommendations to the Secretary. The Secretary authorises the Committee, within the scope of its responsibilities, to:

- 3.1 Review and delegate investigative responsibilities for any matter brought to its attention with access to all relevant records and facilities.
- 3.2 Seek any information it requires from the Department or external parties to satisfy its purpose including employees and internal and external auditors.
- 3.3 Consider significant financial matters relevant to reporting as they arise.
- 3.4 Review all representation letters signed by management concerning the annual financial statements and consider the information provided therein.
- 3.5 Ensure the attendance at meetings of individuals, officers and authorities from the Department with relevant experience and expertise, as considered necessary.
- 3.6 Obtain the necessary external legal or professional advice to meet its obligations. Approval of the Secretary must be received prior to seeking advice, which must be undertaken in accordance with Tasmanian Government Policy and Procedures.

The Committee's authority applies to all activities and services within the Department, including corporate support provided to Ministerial and Parliamentary Offices and the Office of the Governor. The Committee does not cover the activities undertaken by Ministerial and Parliamentary Offices and the Office of the Governor.

## 4. Responsibility

The Committee shall ensure that it has a broad understanding of the Department structure and business and risk management processes to ensure that it can adequately identify the significant risks it faces. The broad responsibilities of the Committee are as follows:

- 4.1 **Financial Reporting**
  - 4.1.1 Consider and review the annual financial statement and provide advice to the Secretary (including recommending their signing by the Secretary).
  - 4.1.2 Consider the financial reporting processes, compliance with accounting standards and significant financial matters relevant to reporting as they arise.

- 4.1.3 Review all representation letters signed by management concerning the annual financial statements and consider the information provided therein for completeness and appropriateness.
- 4.1.4 Review the processes in place to ensure that financial information included in the Department's annual report is consistent with the signed financial statements.

## **4.2 Internal Control and Risk Management**

- 4.2.1 Ensure that Committee members have a broad understanding of the activities in which the Department is involved in order to adequately identify any significant risks the Department faces.
- 4.2.2 Review whether management has in place a current and sound enterprise risk management framework and associated internal controls for adequate, effective and timely identification and management of the Department's key business and financial risks. This may include but is not limited to fraud, information security, etc.
- 4.2.3 Review the Department's systems and procedures for assessing and reporting the achievement of the Department's performance.
- 4.2.4 Review the integration and relationship between strategic planning, strategic risk management, financial management, asset management and other key strategic processes.
- 4.2.5 Review whether management have set the appropriate control culture through communicating the importance of internal controls, the management of risk and ensuring employees understand their roles and responsibilities.
- 4.2.6 Review the Strategic Risk Register and be satisfied that risks rated as "Active Management" or "Control Critical" are being effectively managed.
- 4.2.7 Ensure the Secretary is aware of any matters coming to the attention of the Committee that might have a significant impact on the service delivery of the Department and make such recommendations to the Secretary as the Committee considers appropriate.

- 4.2.8 Review the effectiveness of the Department's systems for monitoring compliance with laws, regulations, internal policies and industry standards, and the results of management's investigation and follow-up of any instances of non-compliance.
- 4.2.9 Ensure that a sound approach has been followed in establishing the business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.
- 4.2.10 Meet periodically with management and the internal and external auditors to discuss the Department's control environment including the process in place for improvement.

#### **4.3 Maintenance of an effective and efficient audit system**

- 4.3.1 Recommend to the Secretary the appointment of internal auditors.
- 4.3.2 Ensure that there have been no unjustified restrictions or limitations placed on the auditors.
- 4.3.3 Review and recommend the approval of audit plans, ensuring emphasis is placed on areas relevant to the risk profile and/or corporate objectives of the Department.
- 4.3.4 Review and assess the findings of the internal and external auditors, including in relation to the audit of financial statements, and the actions taken and timetable proposed by management in response to the findings.
- 4.3.5 Undertake a formal annual assessment of the internal auditors and their independence and the audit function.
- 4.3.6 Meet at least annually with the internal and external auditors without management being present.

#### **4.4 Corporate Governance**

- 4.4.1 Assist the Secretary to ensure adequate corporate governance processes are in place.
- 4.4.2 Gain familiarity with service plans, corporate plans and other key planning documents and objectives as required and review for consistency and integration.

#### **4.5 Other responsibilities**

- 4.5.1 Report to the Secretary any matter identified during the course of carrying out its duties that the Committee considers should be brought to the attention of the Secretary.
- 4.5.2 Undertake, on behalf of the Secretary, any such tasks or actions as the Secretary may from time to time authorise.

- 4.5.3 Ensure management has taken steps to embed a culture that promotes the proper use of Departmental resources and is committed to ethical and lawful behaviour.
- 4.5.4 The Committee may establish one or more sub-committee/s to assist the full Committee in meeting its responsibilities, in consultation with the Secretary. The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by the full Committee.

## 5. Meetings

- 5.1 The Committee will meet six times per year (unless otherwise agreed by the Secretary). In addition, the Chair shall call a meeting of the Committee if requested to do so by; the Secretary, any Committee members, the internal auditor or the external auditor.
- 5.2 The Committee may use videoconferencing and phone conferencing to ensure all Committee members can attend meetings.
- 5.3 A quorum for any meeting will be two members, including at least one independent member.
- 5.4 A plan of work, including meeting dates and agenda items, reports and areas targeted will be agreed by the Committee, and approved by the Secretary, each year.
- 5.5 At the discretion of the Chair, urgent matters may be addressed out-of-session. It may also be appropriate at times to deal with issues out-of-session to keep meetings focused.
- 5.6 Out-of-session papers are submitted to the Chair, who releases the papers to members. The members will have five working days to provide feedback before the Chair concludes the resolution. The resolution is to be minuted at the next meeting.

Under the direction of the Chair of the Committee, the designated Committee Liaison will be responsible for:

- 5.7 Preparing the agenda and circulating it, with appropriate documents, to the Committee members one week prior to each meeting.
- 5.8 Ensuring the minutes of the meeting of the Committee are prepared, maintained and circulated to the Committee members, employee representatives and to others as appropriate.
- 5.9 Minutes shall be approved by the Committee at the subsequent meeting.

## 6. Reporting to the Secretary

- 6.1** The Committee shall, as often as necessary and at least once a year, report on matters relevant to the Committee's role and responsibilities and confirm to the Secretary that all functions outlined in this Charter have been satisfactorily addressed.
- 6.2** The Secretary will ensure there are regular, formal meetings between the Committee Chair and the Secretary where the effectiveness of the Committee and internal audit function is discussed. The Chair will report, and as appropriate make recommendations, to the Secretary on matters with which it has dealt.
- 6.3** As and when appropriate, the Committee will seek direction and guidance from the Secretary on audit, risk management and compliance matters.
- 6.4** The Committee shall ensure in a timely manner that the Secretary is made aware of audit, financial reporting, internal control, risk management and compliance matters which come to its attention that may significantly impact on Departmental operations.
- 6.5** The minutes of the Committee's meeting will be provided to the Secretary following each meeting.
- 6.6** Any Committee member may request a meeting with the Secretary.

## 7. Conflicts of Interest

- 7.1** Members must declare any conflicts of interest (actual or perceived) annually and at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest are to be appropriately documented and resolved to the satisfaction of the Chair (or the independent member in the case of the Chair).
- 7.2** Where members are deemed to have a real, or perceived, conflict of interest it may be appropriate that they are excused from Risk and Audit Committee deliberations on the issue where a conflict exists. This decision resides with the Chair (or the independent member in the case of the Chair).
- 7.3** All members are expected to understand and adhere to the Department's Conflict of Interest Policy.

## 8. Evaluation of the Committee

The Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively.

## 9. Review and Amendment

The Charter will be reviewed at least annually as resolved by the Committee, directed by the Secretary or as otherwise required. On each review the Charter will be formally approved by the Secretary on the advice of the Committee.

<b>Date</b>	<b>Version</b>	<b>Author</b>	<b>Approved by</b>	<b>Section Amended</b>
7/11/2022	9.0	L. Maher		All. Replaces version 8.0.