



Australian Government
Australian Signals Directorate

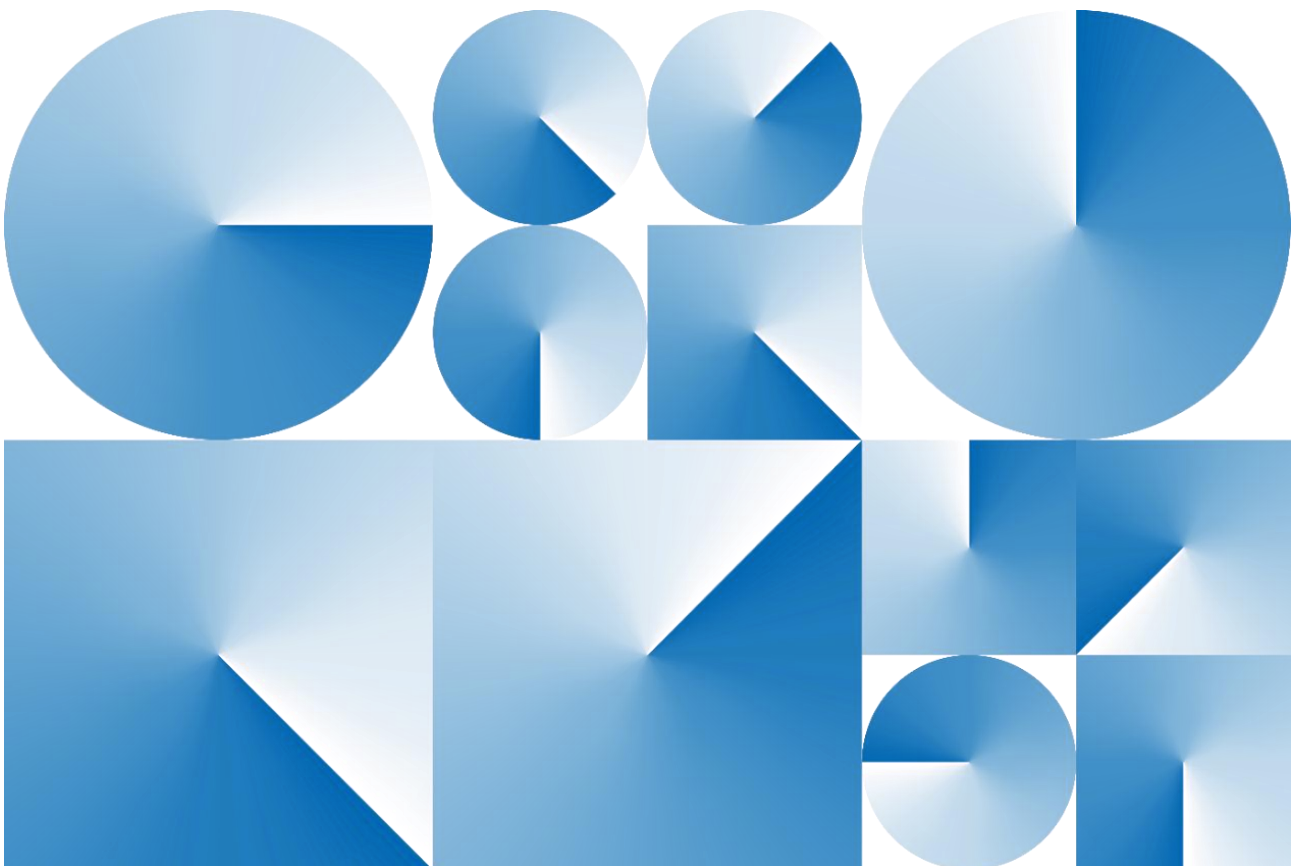


ASD AUDIT AND RISK COMMITTEE (ASDARC)

COMMITTEE CHARTER

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1. Overview

1.1 Introduction

The Director-General as the accountable authority of the Australian Signals Directorate (ASD) has established the ASD Audit and Risk Committee (ASDARC, or the Committee) in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and s 17 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule).

This charter sets out the Committee's authority, composition and tenure, role and responsibilities, reporting and administrative arrangements.

1.2 Role

ASDARC

The role of the ASDARC is to provide independent advice to the Director-General in accordance with the Director-General's duties as the accountable authority for ASD under the requirements of s 17 of the PGPA Rule.

Members

Members of the ASDARC are expected to understand and observe the legal requirements of the PGPA Act and PGPA Rule. Members are also expected to:

- a) Act in the best interests of ASD as a whole;
- b) Apply good analytical skills, objectivity and sound judgment;
- c) Express opinions constructively and openly;
- d) Raise issues that relate to the ASDARC's responsibilities and pursue independent lines of enquiry; and
- e) Contribute the time required to meet their responsibilities.

ASDARC members must not use or disclose information obtained during the performance of ASDARC functions unless expressly agreed by the Director-General.

Members are required to sign a Deed of Non-Disclosure upon their appointment.

ASD Staff

The ASDARC engages with management in a constructive and professional manner in fulfilling its advisory responsibilities and forming its advice to the Director-General. The Director-General expects full cooperation from all ASD staff members in support of the ASDARC.

1.3 Membership

The ASDARC comprises of at least three members, appointed by the Director-General. As per the *Public Governance, Performance and Accountability Amendment (2020 Measures No. a) Rules 2020*, all of the members of the Committee must be persons who are not officials of ASD; and the majority of the members must be persons who are not officials of any Commonwealth entity.

The Director-General will appoint the Chair of the ASDARC. The Chair is authorised to appoint a Deputy Chair who will act in the absence of the Chair.

ASD's Chief Finance Officer (or equivalent) and the Chief Audit Executive (or equivalent) will attend Committee meetings as advisers.

The Director-General and other management representatives may attend ASDARC meetings as advisers or observers, as determined by the Chair, but will not be members of the ASDARC. In line with s 17(3) of the PGPA Rule, the Chair may also invite other attendees, as deemed necessary to provide advice and/or information in relation to any issue scheduled for discussion.

A representative(s) of the Australian National Audit Office (ANAO) may also be invited to attend ASDARC meetings as an observer.

OFFICIAL

ASDARC members, taken collectively, will have a broad range of skills and experience relevant to the operations of ASD. At least one member of the ASDARC will have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment. Membership of the ASDARC is a personal appointment based on individual skills and experiences. In line with s 17(5) of the PGPA Rule and Resource Management Guide 202 (Audit Committees), members cannot send a proxy to meetings.

ASDARC members will be appointed for an initial period not exceeding three years. Members may be re-appointed after a formal review of their performance, for a further period not exceeding two years, unless otherwise agreed, following discussions with the Chair and the Director-General.

2. Functions

In accordance with s 17(2) of the PGPA Rule, the mandatory functions of the ASDARC must include reviewing the appropriateness of the accountable authority's:

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

The following sections set out the ASDARC's functions in relation to the above requirements, as well as other functions and responsibilities.

2.1 Financial reporting

- Review the financial statements and provide advice to the Director-General (including recommending their signing by the Director-General). In particular, the ASDARC will review:
 - ASD's compliance with Australian accounting standards.
 - The appropriateness of accounting policies and disclosures, including any significant changes to accounting policies.
 - Areas of significant judgment and financial statement balances that require estimation.
 - Significant or unusual transactions.
 - Sign-off by ASD's management in relation to the quality of the financial statements, internal controls and compliance.
 - The external auditor's judgments about the adequacy of ASD's accounting policies and the quality of ASD's processes for the preparation of ASD's financial statements, through discussions with the ANAO.
 - Whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures.
- Act as a forum for communication between ASD's management and the ANAO.
- Review the processes in place designed to ensure that financial information included in ASD's Annual Report is consistent with the signed financial statements.

2.2 Performance reporting

- In line with the PGPA Act, the ASDARC will review whether:
 - ASD's approach to measuring and assessing its performance, throughout the financial year, against the performance measures included in its Portfolio Budget Statements and Corporate Plan is sound, and has taken into account the mandatory requirements of the PGPA Act and PGPA Rule and guidance issued by the Department of Finance.
 - ASD has sound processes in place for the preparation of its annual Performance Statement and the inclusion of the statement in its Annual Report.
- Provide written advice to the Director-General on the appropriateness of ASD's:
 - Performance information to be included in the Portfolio Budget Statements and the Corporate Plan.
 - Performance information to be included in the annual performance statements.

- ASD's performance reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

2.3 System of risk oversight and management

- Review whether management has in place a current and sound enterprise risk management framework, and associated internal controls, for effective identification and management of ASD's business and financial risks, including those associated with individual projects, program implementation, and activities.
- Review the process of developing and implementing ASD's fraud and corruption control arrangements and satisfy itself that ASD has appropriate processes and systems in place to deter, detect, capture and effectively respond to fraud and corruption risks.
- Review reports, by management, that outline any significant or systemic allegations of fraud or corruption, the status of any ongoing investigations and any changes to identified fraud and corruption risk in ASD.
- Provide written advice to the accountable authority whether the ASD's systems of risk oversight and management as whole is appropriate, with reference to the Commonwealth Risk Management Policy and any specific areas of concerns or suggestions for improvement.

2.4 System of internal controls

- Review and provide written advice on the appropriateness of ASD's system of internal control, through consideration of the following items and advising of any specific areas of concern or suggestions for improvement:

Internal Control Framework

- Management's approach to maintaining an effective internal control framework including controls in relation to functions performed by external parties such as contractors and advisers.
- Key policies and procedures, including ASD Director-General Financial Instructions or their equivalent, and whether these are periodically reviewed and updated.
- ASD's compliance framework and the arrangements to ensure compliance with policies and procedures.
- ASD's information security arrangements, including complying with ASD reporting obligations.

Legislative and Policy Compliance

- Systems for monitoring ASD compliance with laws, regulations and associated government policies with which ASD must comply.
- Whether management has appropriately considered legal and compliance risks as part of ASD's Enterprise Risk Management artefacts.

Internal Audit

- Proposed internal audit coverage, and whether this takes into account ASD's key risks, and recommending approval of the Internal Audit Work Plan by the Director-General.
- Audit reports: reviewing internal audit reports and providing advice to the Director-General on significant issues identified.
- The implementation of agreed actions in response to audit recommendations.

Business Continuity Management

- ASD's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

Delegations

- Policies and associated procedures for the management and exercise of delegations and authorisations.

Ethical and Lawful Conduct

- Whether management has taken steps to embed a culture that promotes the proper use and management of public resources and is committed to ethical and lawful conduct within the context of the PGPA Act requirements.

2.5 Other functions

Administration of the Internal Audit Function

- Advise the Director-General on the adequacy of internal audit resources, or budget, to carry out its responsibilities, including completion of the approved Internal Audit Work Plan.
- Coordinate, to the extent practicable, the work programs of internal audit and other assurance or review functions.
- Periodically review the Internal Audit Charter to ensure appropriate authority, access and reporting arrangements are in place.
- Periodically review the performance of internal audit, and report the results to the Director-General.
- Periodically meet privately with the Chief Audit Executive (or equivalent).

Governance Arrangements

Periodically review ASD's governance arrangements or elements of the arrangements as determined by the Director-General and suggest improvements, where appropriate, to the Director-General.

Engagement with the ANAO

In undertaking its role, the ASDARC will engage with the ANAO, as ASD's external auditor, in relation to the ANAO's financial statement and performance audit coverage. In particular, the ASDARC will:

- a) Provide input on planned ANAO financial statement and performance audit coverage.
- b) Monitor management's responses to all ANAO financial statement management letters and performance audit reports, including the implementation of audit recommendations.
- c) Provide advice to the Director-General on action to be taken on significant issues raised in relevant ANAO reports or better practice guides.

Annual Work Plan

As far as practical, the ASDARC should indicate which matters it will consider during any given year in an annual work plan, noting that it may consider other or additional matters in response to changes in the ASD's operations and environment. The forward meeting plan will include the proposed agenda items for each meeting for the forthcoming year, and cover all of the functions outlined in this charter.

Sub-committees

In consultation with the Director-General, the ASDARC may establish one or more sub-committees to assist in meeting its responsibilities.

The responsibilities, membership and reporting arrangements of each sub-committee shall be documented and approved by the ASDARC.

The ASDARC sub-committees should not assume any management functions nor should management exert inappropriate influence over the work of sub-committees.

Reporting

The Chair of the ASDARC will report the principal proceedings and actions from each meeting to the Director-General as soon as possible after each meeting. The Chair will report on the ASDARC's

operation and activities during the year and confirm to the Director-General that all functions outlined in this Charter have been satisfactorily addressed.

The ASDARC may, at any time, report to the Director-General on any other matter it deems sufficiently important. In addition, at any time an individual ASDARC member may request a meeting with the Director-General.

3. Administrative arrangements

3.1 Meetings

The ASDARC will meet at least quarterly. One or more special meetings may be held to review ASD's annual financial and performance statements, or to meet other specific responsibilities of the ASDARC. Additional papers may be circulated to Committee members for review out-of-session.

The Chair is required to call a meeting if asked to do so by the Director-General, and decide if a meeting is required if requested by another member or other interested party, such as the Chief Audit Executive (or equivalent), or the ANAO.

The accountable authority, or representative, will attend the members only session at the commencement of ASDARC meetings to provide members with an overview of key priorities and risks. ASD Group Heads or their delegate will present at each meeting, on rotational basis, to provide the ASDARC with an overview of priorities, risks, and performance reporting and governance arrangements.

3.2 Planning

The ASDARC will develop an annual work plan that includes the dates, location, and proposed agenda items for each meeting for the forthcoming year, and that covers all of the functions outlined in this Charter.

3.3 Quorum

A quorum will consist of the Chair or the Deputy Chair and at least one other member of the Committee. The quorum must be in place at all times during the meeting.

3.4 Secretariat

The Committee secretariat will ensure that:

- a) The agenda for each meeting is approved by the Chair.
- b) The agenda and supporting papers are circulated, at least one week before the meeting.
- c) The meeting minutes will be prepared at the lowest possible classification level and will be provided to the Chair for clearance. Final minutes will be made available to all members, advisors and observers.
- d) The Secretariat will maintain meeting minutes in accordance with ASD's Records Management Policy and its obligations under the *Archives Act 1983* and section 37 of the *Public Governance, Performance, and Accountability Act 2013*.

3.5 Independence

The ASDARC is directly accountable to the Director-General for the performance of its functions.

The ASDARC has no executive powers in relation to the operations of the ASD. The ASDARC may only review the appropriateness of particular aspects of those operations, consistent with its functions and advise the Director-General accordingly.

Responsibility for the appropriateness of the ASD's financial reporting, performance reporting, system of risk oversight and management, and system of internal control rests with Director-General.

3.6 Conflicts of interest

Once a year, members of the ASDARC will provide written declarations, through the Chair, to the Director-General declaring any material personal interests they may have in relation to their responsibilities. Members should consider past employment, consultancy arrangements and other relevant issues in making these declarations, and the Director-General, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any actual, potential or perceived conflicts of interest.

At the beginning of each ASDARC meeting, members are required to declare any potential or actual conflicts of interests that may apply to specific matters on the meeting agenda. Where required by the ASDARC, the member will be excused from the meeting or from the ASDARC's consideration of the relevant agenda item(s). The Chair is responsible for deciding, in consultation with the Director-General where appropriate, if they should excuse themselves from the meeting or from the ASDARC's consideration of the relevant agenda item(s). Details of any material personal interests declared by the Chair and other members, and actions taken, will be appropriately recorded in the minutes.

3.7 Induction

New Committee members will receive relevant information and briefings on their appointment to assist them in meeting their responsibilities.

3.8 Committee performance

The Chair of the ASDARC, in consultation with the Director-General, will undertake a review of the performance of the ASDARC at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Director-General) with appropriate input sought from the Director-General, Committee members, senior management, the Chief Audit Executive, the ANAO, and any other relevant stakeholders, as determined by the Director-General.

The Chair will provide advice to the Director-General on a member's performance where an extension of the member's tenure is being considered.

3.9 Review of charter

At least once a year the ASDARC will review this Charter. This review will include consultation with the Director-General. Any substantive changes to the Charter will be recommended by the ASDARC and formally approved by the Director-General.