



September 2021

### A. Preamble

This Charter is based on *Resource Management Guide 202: A guide for non-corporate Commonwealth entities on the role of audit committees* issued by the Department of Finance on March 2020.

The Director of the Commonwealth Director of Public Prosecutions (CDPP) is the Accountable Authority under the Public Governance, Performance and Accountability Act 2013 (PGPA Act). The Director has established the Audit Committee (the Committee) in compliance with section 45 of the PGPA Act and section 17 of the *Public Governance, Performance and Accountability Rule 2014 (PGPA Rule)*.

### B. Objective

The objective of the Committee is to provide independent advice to the Director on the appropriateness<sup>1</sup> of the entity's financial and performance reporting, system of risk oversight and management, and system of internal control (the four functions) in accordance with subsection 17(2) of the *PGPA Rule*.

### C. General role and functions of the Committee

#### C-1. Financial reporting [PGPA Rule 17(2)(a)]

The Committee will review the financial statements and provide independent advice to the Director on its view of the appropriateness of CDPP's

1. annual financial statements, specifically that:
  - any new reporting requirements have been identified and adequately explained
  - all reports comply with the PGPA Act, PGPA rules, Accounting Standards and supporting guidance
  - balances involving significant judgement and estimation are adequately supported
  - all significant or unusual transactions have been adequately explained
  - effective quality assurance processes have been followed
  - any significant changes to accounting policies for annual financial statements are disclosed.
2. provision of information to the Department of Finance to prepare the Australian Government's consolidated financial statements, including the supplementary reporting package
3. processes and systems for preparing financial reporting information including:
  - staying informed of any changes or additional requirements to financial reporting
  - financial record keeping.
4. action in response to any issues raised by the external auditor, including financial statements adjustments or revised disclosures
5. processes to ensure that financial information included in CDPP's Annual Report is consistent with the signed financial statements

The Committee is to communicate its view on financial reporting to the Director through an Annual Written Statement as to whether:

<sup>1</sup> Appropriateness definition – For the purposes of the PGPA Act, *PGPA Rule*, and *RMG 202: Audit committees*, and consistent with rules of statutory interpretation, 'appropriateness' has its ordinary meaning of 'suitable or fitting for a particular purpose'. This Charter is also reflective of amendments emanating from the Public Governance, Performance and Accountability Amendment (2020 Measures No. 1) Rules 2020 (the Amending Rule). The PGPA Rule and Amending Rule are collectively referred to as PGPA rules in this document.



1. the Annual Financial Statements, in the Committee's view, comply with the PGPA Act, the PGPA rules, the Accounting Standards and supporting guidance
2. additional CDPP information (other than financial statements) required by the Department of Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package) comply with the PGPA Act, the PGPA rules, the Accounting Standards and supporting guidance
3. financial record keeping is appropriate
4. financial reporting, as a whole, is appropriate, with reference to any specific areas of concern or suggestions for improvement.

### **C-II. Performance reporting [PGPA Rule 17(2)(b)]**

The Committee will review the performance information, systems and framework, and provide independent advice to the Director on its view of the appropriateness of CDPP's:

1. systems and procedures for assessing, monitoring and reporting on achievement of CDPP's performance and determine that:
  - CDPP's Portfolio Budget Statements and Corporate Plan contain appropriate details of how CDPP's performance will be measured and assessed
  - CDPP's approach to measuring its performance throughout the financial year against the performance measures included in the Portfolio Budget Statements and Corporate Plan is appropriate and in accordance with the Commonwealth performance framework. This should include reviewing, over time, particular elements of the performance measures
2. records to enable the preparation of the annual performance statements and systems and processes for preparation of its Annual Performance Statements and inclusion of the statements in its annual report

The Committee is to communicate its view on performance reporting to the Director through an Annual Written Statement covering the appropriateness of CDPP's annual performance statement, performance reporting as a whole, compliance with the PGPA Act and Rule, and any specific areas of concern or suggestions for improvement.

### **C-III. System of risk oversight and management [PGPA Rule 17(2)(c)]**

Taking account of CDPP's purposes and specific operating context, the Committee will review the system of risk oversight and management and provide independent advice to the Director on the appropriateness of CDPP's:

1. appropriate enterprise risk management policy framework and the necessary internal controls for the effective identification and management of CDPP's risks, in keeping with the Commonwealth Risk Management Policy
2. identified risks and their treatments and whether these are consistent with the Committee's understanding of CDPP's operating context, risk appetite and the Committee's experience
3. approach for managing CDPP's key risks—including those associated with individual projects and program implementation and activities
4. process of developing and implementing CDPP's fraud control arrangements, consistent with the Commonwealth Fraud Control Framework, and the processes for detecting, capturing and effectively responding to fraud risks



5. risk management capability and whether key roles, responsibilities and authorities relating to risk management are clearly articulated and adhered to.

The Committee is to communicate its view on the system of risk oversight and management to the Director through an Annual Written Statement. The statement is to cover the appropriateness of the system of risk oversight and risk management as a whole, with reference to the *Commonwealth Risk Management Policy*, and any specific areas of concern or suggestions for improvement.

#### **C-IV. System of internal control [PGPA Rule 17(2)(d)]**

The Committee will review the internal control framework and provide independent advice to the Director on the appropriateness of CDPP's:

1. approach to maintaining an effective internal control framework
2. approach to implementing controls and systems to ensure compliance with, as well as monitoring compliance performance in relation to, significant and enabling legislation, regulations and Government policies
3. processes for developing and implementing CDPP's fraud control arrangements, including detecting, capturing and responding to fraud risk, in accordance with the Commonwealth Fraud Control Framework
4. consideration of legislative compliance risks within the internal control framework, fraud control framework and planning and whether this is adequate
5. internal audit planning to ensure coverage and alignment with CDPP's key risks, reporting on major concerns identified in internal audit reports, and recommending action on significant matters raised, and dissemination of information on good practice.

The Committee is to take a risk-based approach to reviewing the appropriateness of the system of internal control including whether the key elements of internal control are present. Although a detailed assessment of the system of internal control is beyond the scope of the Committee's general responsibilities, its review of the adequacy and relevance of CDPP's financial and non-financial internal control is to be informed by CDPP's purposes and specific operating context. The Committee is to seek the assistance of Internal Audit in its periodic reviews of the Director's system of internal control for the CDPP through the delivery of specific reports with a focus on CDPP's current risks affecting internal control.

The Committee is to communicate its view to the Director through an Annual Written Statement covering the appropriateness of the Director's system of internal control for the CDPP, with reference to any specific areas of concern or suggestions for improvement.

In communicating to the Director through Annual Written Statements, the Committee is to convey its views on the four functions and not merely state that it does not know of anything that is not appropriate.

#### **D. Additional functions of the Audit Committee**

##### **D-I. Internal Audit**

- Monitoring management's implementation of internal audit recommendations and report the results to the Director
- Periodically reviewing the performance of the internal auditor



- Reviewing an annual report from the internal auditor on the overall state of CDPP's internal controls
- Meeting privately with the internal auditor at least once per year, if required.

### **D-II. External Audit**

- Monitoring management's responses to all ANAO financial statements management letters and performance audit reports, including the implementation of audit recommendations.
- Meeting privately with the ANAO at least once per year, if required.

### **D-III. Business Continuity**

Satisfying itself that a suitable approach has been taken in establishing appropriate business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

### **D-IV. Ethical and Lawful Conduct**

Assessing whether CDPP has taken steps to embed a culture that promotes the prudent use and management of public resources and is committed to ethical and lawful conduct.

### **D-V. Parliamentary Committee Reports, External Reviews and Evaluations**

Satisfying itself that CDPP has appropriate mechanisms for reviewing relevant Parliamentary Committee reports, external reviews and evaluations of the entity and implementing agreed resultant recommendations.

### **D-VI. Governance**

Reviewing whether an effective governance framework is in place including relevant policies, procedures, instructions, structures, reporting and resourcing.

## **E. Authority**

The Director authorises the Committee, within the scope of its functions and responsibilities, to:

- obtain any information it requires from any official or external party (subject to any legal obligation to protect information). This includes the Portfolio Budget Statements, Corporate Plan, Annual Report, External and Internal Audit reports, relevant Departmental and independent reviews and relevant management briefings and reports including on new initiatives such as major projects and business transformation.
- discuss any matters with the ANAO, or other external parties (subject to confidentiality considerations)
- request the attendance of any official, including the Director, at Committee meetings
- obtain legal or other professional advice, as considered necessary to fulfil its role, at CDPP's expense, subject to approval by the Director or delegate.

## **F. Audit Committee Membership**

The Committee is to consist of at least three members all of whom must be persons who are not officials of CDPP, and a majority of whom must not be officials of any Commonwealth entity as required under the Amending Rule (subsection 17(4)). One of the members is to be appointed by the Director as Chair. The Committee is authorised to nominate, for appointment by the Director, a Deputy Chair who will act as Chair in the absence of the Chair.



Committee appointments are to be for an initial period not exceeding three years. Members may be re-appointed after a formal review of their performance, for an additional period not exceeding two years or as specified by the Director. The Chair is to provide advice to the Director on a member's performance where an extension of the member's tenure is being considered. New members are to receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

The Committee must contain a combination of members who have appropriate qualifications, knowledge, skills and experience to enable it to perform its functions. Collectively, Committee members are to possess relevant technical skills, appropriate policy and subject matter knowledge, and a strong understanding of CDPP's operating context so that they can effectively advise the Director on the matters required by section 17 of the *PGPA Rule*.

A member's appointment may be terminated by the Director at any time they become incapacitated, conflicted or do not discharge their responsibilities as set out in this Charter.

### **G. Observers, Advisers and Presenters**

The Director will appoint a senior CDPP officer to be an Observer to the Committee. The Observer is to be independent of the audit function within CDPP but still have sufficient knowledge and experience of CDPP matters to be able to contribute to Committee deliberations.

The Commonwealth Solicitor for Public Prosecutions, Chief Corporate Officer, Chief Finance Officer, Assistant Director Governance and Legal Practice Services, and Chief Audit Executive are to attend Committee meetings as advisers. A representative(s) of the Australian National Audit Office is to be invited to attend Committee meetings, as an observer(s). The Director, Practice Group Leaders, other senior management representatives and Internal Audit representatives may attend meetings as advisers, presenters or observers, as determined by the Chair. Senior management is to attend Committee meetings, as requested by the Committee, to explain specific developments, concerns and projects. Such an approach will help the Committee maintain an up-to-date understanding of CDPP and help the Committee to foster constructive relationships with senior management.

### **H. Reporting**

The Committee is directly accountable to the Director for the performance of its functions. The Chair is to provide a report to the Director after each Committee meeting on significant issues and outcomes. In addition, the Chair is to provide an Annual Report to the Director on the Committee's operations and activities during the year and confirm to the Director that all functions outlined in this Charter have been satisfactorily addressed. The Committee may, at any time, report to the Director any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Director through the Chair and Chief Audit Executive.

### **I. Annual Report Requirements**

To comply with s17 AG(2A) of the *PGPA Rule*, CDPP's Annual Report will include:

- a direct electronic address of this Charter
- the name of each member of the Audit Committee during the Annual Report period
- the qualifications, knowledge, skills or experience of the members
- information about members' attendances at Audit Committee meetings during the period
- the remuneration of each of those members



### **J. Meeting Schedule and Quorum**

Meetings are to be held not less than four times a year with other meetings convened as required.

The Committee is to:

- 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 Committee's functions.
- prepare (and provide to the Director for information) an Annual Work Plan that outlines the activities to be undertaken to achieve the Committee's functions and responsibilities.

A quorum will consist of a majority of Committee members and must be in place for all decisions made by the Committee during the meeting. For urgent matters outside the agreed meeting schedule where a special meeting is not warranted, an out-of-session agreement may be arrived at by Committee members.

### **K. Conflicts of Interest**

At the beginning of each Committee meeting, members, advisers and observers are required to declare any material personal interests that may apply to specific matters on the meeting agenda. Where required, the Chair (in consultation with the Director where appropriate), the member, adviser or observer is to be excused from the meeting or from the Committee's consideration of the relevant agenda item(s). Details of any material personal interests declared by the Chair and other members, and actions taken, are to be appropriately recorded in the minutes.

All Committee members are to provide written declarations to the Director declaring any material personal interests they may have in relation to their responsibilities. Accordingly, appropriate processes should be put in place to manage any real, potential or perceived conflict.

### **L. Review of Committee Performance**

The Chief Audit Executive, in consultation with the Chair and the Director, is to initiate a review of the performance of the Committee annually. The review is to be conducted on a self-assessment basis, with input sought from relevant stakeholders.

### **M. Review of the Charter**

At least once a year, the Committee shall review this Charter against current best practice, relevant professional standards and any new legislation or regulations, and recommend any substantive changes for consideration by the Director.





### APPROVAL FOR RELEASE/DOCUMENT OWNER

<b>Name</b>	Sarah McNaughton SC
<b>Position</b>	Director
<b>Date</b>	6 October 2021

### VERSION CONTROL

Version	Date	Author	Description	Next Review
0.1	11/12/ 14	Langdale Consulting	Discussion Draft	ELG 15/12/14
0.2	16/12/14	Langdale Consulting	Incorporating ELG feedback	
0.3	17/12/14	Langdale Consulting	Incorporating ELG feedback	
0.4	18/12/14	Langdale Consulting	Incorporating Director's feedback	
0.5	20/12/14	Langdale Consulting	Adding Reporting Framework	SES 30/1/15
0.6	12/2/15	Langdale Consulting	Minor amendments	
0.7	18/2/15	Langdale Consulting	Minor amendments	
0.8	4/3/15	Langdale Consulting	Formatting changes	Audit Committee 18/3/15
0.9	30/3/15	Langdale Consulting	Final review against ANAO March 15 guidance – amendments to responsibilities	NMP
1.0	2/4/15	Langdale Consulting	Final for approval	Director
2.0	12/7/16	Governance Manager	Draft for approval	Audit Committee 29 July 2016
3.0	01/09/2016	Governance Manager	Final for the Director's approval	September 2018
4.0	7/10/2016	Governance Manager	Amended the membership to reflect agreed decisions in the September Audit Committee meeting	October 2018
5.0	6/2018	Audit Committee	Updated to reflect Department of Finance Resource Management Guide 202 – Guide for non-corporate Commonwealth entities on the role of audit committees	June 2019
6.0	24/06/2019	Audit Committee	Review and update Charter to reflect minor changes to the Department of Finance Resource Management Guide 202 – A guide for non-corporate Commonwealth entities on the role of audit committees – December 2018.	June 2020
7.0	24/06/2020	Audit Committee	Review and update Charter, including to reflect changes arising from <i>The Public Governance, Performance and Accountability Amendment (2020 Measures No. 1) Rules 2020</i>	June 2021
8.0	22/09/2021	Audit Committee	Review and update Charter, including changes to reflect recommendations arising from the Independent Quality Assessment of the Internal Audit function completed by the Institute of Internal Auditors – Australia in June 2021.	June 2022