



AUSTRALIAN
**CRIMINAL
INTELLIGENCE
COMMISSION**



Australian Government
Australian Institute of Criminology

AUDIT COMMITTEE CHARTER – 2022-23

1. Background

The Joint ACIC-AIC Audit Committee (Committee) has been established on the authority of the Chief Executive Officer (CEO), Australian Criminal Intelligence Commission (ACIC) and the Director, Australian Institute of Criminology (AIC) (Director) in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and PGPA Rule section 17 -- Audit Committee for Commonwealth entities.

2. Role

The Committee's role is to provide independent advice to the CEO/Director regarding financial and performance reporting responsibilities, risk oversight and management, and system of internal control.

The Committee is not responsible for the executive management of these functions. The Committee will engage with management in a constructive and professional manner in discharging its advisory responsibilities and formulating its advice to the CEO/Director.

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

- ▶ act in the best interests of the ACIC and the AIC as a whole;
- ▶ apply good analytical skills, objectivity and good judgment;
- ▶ express opinions constructively and openly, raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry; and
- ▶ contribute the time required to meet their responsibilities.

Committee members must not use or disclose information unless expressly agreed by the CEO/Director.

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The Committee will be assisted by the agencies' Internal Audit function, which is responsible for delivering an annual internal audit work program in line with the Committee's guidance and subject to approval by the CEO/Director. The Committee will also provide advice to Internal Audit as required.

3. Authority

The CEO/Director authorises the Committee, in accordance with its role and responsibilities, to:

- ▶ obtain any information it requires from any official or external party (subject to any legal obligation to protect information);
- ▶ discuss any matters with the Australian National Audit Office (ANAO), or other external parties (subject to confidentiality considerations);
- ▶ request the attendance of any official, including the CEO/Director, at Committee meetings; and
- ▶ obtain legal or other professional advice, as considered necessary to fulfil its role, at ACIC's and AIC's expense, subject to approval by the CEO/Director(or delegate).

4. Membership, Skills & Experience

Section 17 of the PGPA Rule establishes the following requirements in relation to membership of audit committees from 1 July 2021:

Membership of the Audit Committee

3) The audit committee must consist of at least 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.*

The Committee will consist of at least three external members appointed by the CEO/Delegate, who will appoint the Chair of the Committee. The Committee is authorised to appoint a Deputy Chair who will act as Chair in the absence of the Chair.

The CEO/Director, Chief Financial Officer and Chief Audit Executive may attend meetings as observers. In addition, up to four Special Advisors appointed by the CEO/Director (Executive Director Intelligence Operations and/or Executive Director Covert Collections and Insights, Chief Operating Officer and Chief Information Officer) should attend each audit committee meeting in order to provide subject matter expertise to the audit committee.

A representative(s) of the ANAO will be invited to attend meetings of the Committee, as an observer.

Consistent with subsection 17(3) of the PGPA Rule, the members of the Audit Committee will have appropriate qualifications, knowledge, skills or experience to assist the Committee perform its functions. These include (but are not limited to) financial reporting; performance reporting; systems of risk oversight

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and management; systems of internal controls; as well as knowledge of the core business activities of the ACIC and the AIC.

Committee members will be appointed for an initial fixed period determined by the CEO/Director. Members may be rotated or re-appointed after a formal review of their performance, as specified by the CEO/Director.

5. Functions

Section 17 of the PGPA Rule establishes mandatory functions for Committees as reviewing the appropriateness of the ACIC's and the AIC's:

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.*

5.1 Financial reporting

- ▶ The Committee will review and provide advice as to the appropriateness of the ACIC's and AIC's:
 - annual financial statements,
 - 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
 - processes and systems for preparing financial reporting information.
- ▶ The Committee will provide a statement as to the appropriateness of:
 - the annual financial statements, including compliance with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance,
 - additional entity information (other than financial statements) required by Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package) and whether this complies with the PGPA Act, the PGPA Rule, the Accounting Standards and supporting guidance, and
 - the ACIC's and the AIC's financial reporting as a whole, including any specific areas of concern or suggestions for improvements.

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5.2 Performance reporting

- ▶ The Committee will review and provide advice as to the appropriateness of the CEO/Director's systems and procedures for assessing, monitoring and reporting on achievement of the ACIC's and the AIC's performance. In particular, the committee should satisfy itself that the agencies':
 - Portfolio Budget Statements (PBS) and Corporate Plans contain appropriate details of how their performance will be measured and assessed,
 - approach to measuring their performance throughout the financial year against the performance measures included in its PBS 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, and
 - have appropriate systems and processes for preparation of their annual performance statements and inclusion of the statements in their annual reports.
- ▶ The Committee will provide a statement as to the appropriateness of the accountable authority's annual performance statements and performance reporting as a whole, including any specific areas of concern or suggestions for improvement.

5.3 Systems of risk oversight and management

- ▶ The Committee will review and provide advice as to the appropriateness of the ACIC's and the AIC's:
 - risk management framework, including the necessary controls for the effective identification and management of the agencies' key (strategic) risks,
 - approach to managing the agencies' risks (including those associated with individual projects and programs),
 - the process for developing and implementing fraud control arrangements consistent with the Fraud Control Framework, and processes and systems to detect, capture and respond to fraud risks, and
 - articulation of key roles and responsibilities relating to risk management and adherence to these by the agencies' officials.
- ▶ The Committee will provide a statement as to the appropriateness of the ACIC's and the AIC's system of risk management and oversight as a whole and alignment to the Commonwealth Risk Management Policy, including any specific concerns or suggestions for improvement.

5.4 Systems of internal control

- ▶ Committee review and provide advice on the appropriateness of the ACIC's and the AIC's:
 - internal control framework,
 - legislative and policy compliance,
 - security compliance,

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- business continuity and disaster recovery,
 - internal audit coverage and resourcing, and
 - external audit and reviews.
- ▶ The Committee will provide a written statement as to the appropriateness of the ACIC's and the AIC's system of internal control, including any specific areas of concern or suggestions for improvement.

6. *Engagement with the ANAO*

In undertaking its role, the Committee will engage with the ANAO, as the ACIC's and AIC's external auditor, in relation to the ANAO's financial statements and performance audit coverage. In particular, the Committee will:

- ▶ monitor management's responses to all ANAO financial statements findings and recommendations, management letters and performance audit reports, including the implementation of audit recommendations,
- ▶ provide advice to the CEO/Director on action to be taken on significant issues raised in relevant ANAO reports, and
- ▶ meet privately with the ANAO as required.

7. *Annual forward work program*

As far as is practicable, the Committee should indicate which functions, systems or matters it will consider during any given year in a forward work program, noting that it may also consider additional matters in response to changes in the agencies operations and environment.

8. *Sub-committees*

The Committee may establish one or more sub-committee(s) to assist the full Committee in meeting its responsibilities, in consultation with the CEO/Director.

The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by the full Committee.

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

9. *Reporting*

The Chair will report to the CEO/Director after each meeting. Any matter deemed of sufficient importance will be reported to the CEO/Director immediately.

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The Committee will, as often as necessary, and at least once a year, report to the CEO/Director on its operation and activities during the year and confirm that all functions outlined in this charter have been satisfactorily addressed.

10. Annual Reporting Requirements

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

Audit Committee

(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.*

11. Administrative arrangements

11.1 Meetings

The Committee will meet at least four times per year. One or more special meetings may be held to review the ACIC's and the AIC's annual financial statements and performance statements or to meet other specific responsibilities.

The Chair is required to call a meeting if asked to do so by the CEO/Director. The Chair will also decide if a meeting is required if requested by another member, Internal Audit or the ANAO.

The Committee may also consider matters and make decisions out of session as required.

11.2 Planning

The Committee 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 functions outlined in this Charter.

11.3 Quorum

A quorum will consist of a majority of Committee members. The quorum must be in place at all times during the meeting for decision items.

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11.4 Secretariat

The CEO/Director, in consultation with the Committee, will appoint a person to provide secretariat support to the committee. The secretariat will: ensure the agenda for each meeting is approved by the Chair; the agenda and supporting papers are circulated, at least one week before the meeting; and ensure the minutes of the meetings are prepared and maintained.

Minutes must be reviewed by the Committee members and circulated in a timely manner to each member and Committee observers, as appropriate.

11.5 Conflicts of interest

Once each year, members of the Committee will provide written declarations, through the Chair, to the CEO/Director declaring any material personal interests they may have in relation to their responsibilities. External members should consider past employment, consultancy arrangements and related party issues in making these declarations and the ACIC and AIC, in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each Committee meeting, members are required to declare any material personal interests that may apply to specific matters on the meeting agenda. Where required by the Chair, the member will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s).

The Chair is also responsible for deciding, in consultation with the CEO/Director where appropriate, if they should excuse themselves 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, will be appropriately recorded in the minutes.

11.6 Induction and Clearance

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

Members will be required to undertake (and maintain) an Organisational Suitability Assessment (OSA) as well as a national security clearance to the level of Negative Vetting Level One.

12. Committee assessment

The Chair will undertake a review of the Committee's performance at least every two years. The review will be conducted on a self-assessment basis with input from Committee members, Internal Audit, the Secretariat, the ANAO, and any other stakeholders the Chair considers relevant.

The CEO/Director will also make an assessment of the Committee's performance at least every two years. The CEO/Director may seek input from any stakeholders considered relevant.

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Both assessments of the Committee's performance will be aligned to the provision of advice and deliverables outlined in the Committee Charter.

13. Review of charter

At least once each year the Committee will review this charter. This review will include consultation with the CEO/Director. Any substantive changes to the charter will be recommended by the Committee and formally approved by the CEO/Director.

Approved



Michael Phelan APM

Chief Executive Officer of the ACIC and Director of the AIC

Date: 7 July 2022

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