

Audit and Risk Committee Charter

General Policy Advice

April 2024

NATIONAL PORTRAIT GALLERY

Policy control sheet

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Audit and Risk Committee Charter

Policy statement

1. The National Portrait Gallery of Australia (NPGA) Board has established the Audit and Risk Committee (ARC) 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. This charter sets out the ARC's purpose, authority, membership, functions, reporting and administrative arrangements.

Functions and Authority

Functions of the ARC

3. The ARC is a committee of the NPGA Board established to assist the Board discharge its duties under the *National Portrait Gallery of Australia Act 2012* (NPGA Act) and the PGPA Act in respect of financial reporting, risk oversight and management, internal control and compliance with relevant laws and policies.
4. The ARC is not responsible for the executive management of these functions. The ARC will engage with management in a constructive and professional manner in discharging its responsibilities and formulating advice to the Board.
5. The ARC's functions are to:
 - a) review the appropriateness of the NPGA's:
 - i. financial reporting
 - ii. performance reporting
 - iii. system of risk management and oversight; and
 - iv. system of internal control
 - b) provide advice independent to NPGA management
 - c) assist the NPGA and NPGA Board members to comply with the obligations under the PGPA Act and associated framework
 - d) provide a forum for communication between Board members, NPGA Director and Senior Management and the internal and external auditors of the NPGA, and
 - e) examine and recommend the NPGA's annual financial statements for the Board's endorsement.

Authority of the ARC

6. The Board authorises the ARC, within its responsibilities, to:

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- a) obtain any information it requires from any official or external party (subject to any legal obligation to protect information)
- b) discuss any matters with the Australian National Audit Office (ANAO), or other external parties (subject to confidentiality considerations)
- c) request the attendance of any official, including members of the Board, at ARC meetings, and
- d) obtain legal or other professional advice at the NPGA's expense, as considered necessary to meet its responsibilities.

Composition and Tenure

ARC Membership

- 7. The ARC comprises a minimum of three members, appointed by the Board, who are not the Chair of the Board or employees of the NPGA.
- 8. ARC members must have appropriate qualifications, knowledge, skills or experience to assist the ARC to perform its functions. Members should be financially literate and at least one member of the ARC should have accounting or related financial management experience and/or qualifications and a comprehensive understanding of accounting and auditing standards.
- 9. The Board may appoint an independent member to the ARC.
- 10. The Board will appoint the Chair of the ARC and may appoint a Deputy Chair who will act as the Chair in the absence of the Chair.
- 11. The Chair of the NPGA and other Board members may attend any ARC meeting. Where a member who is not a member of the ARC attends a meeting, they attend as an observer for that meeting.
- 12. The Chair of the Board, Chief Executive (Director), Chief Financial Officer (CFO), and Head of Internal Audit or other management representatives may attend meetings as advisers and observers, as determined by the Chair, but can not be a member of the ARC.

Observers

- 13. A representative of the ANAO will be invited to attend meetings of the ARC, as an observer and to provide advice and information as requested by the ARC.
- 14. The Chair may approve the attendance of relevant members of the NPGA's management as advisors to the ARC, as well as the staff providing secretariat services.
- 15. The ARC may elect to meet without and advisors present and may also ask the Director to withdraw from particular discussions.

Terms and Reappointment

- 16. Membership of the ARC will be reviewed periodically, but at least every three (3) years by the Board with the aim of ensuring an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience.

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17. Where a Board member is also an ARC member, their membership of the ARC ceases when they cease to be a Board member.

Responsibilities

18. Members of the ARC are expected to understand and observe the legal requirements of the NPGA Act, PGPA Act and those requirements relating to the assessment of risk oversight and control such as the *Work Health and Safety Act 2011*.

19. Members are also expected to:

- a) act in the interests of the NPGA;
- b) take a professional approach to their responsibilities, including an appropriate commitment of time and effort
- c) apply good analytical skills, objectivity and good judgment, and
- d) express opinions constructively and openly, raise issues that relate to the ARC's responsibilities and pursue independent lines of enquiry.

Financial Reporting

20. The ARC will:

- a) review the annual financial statements and provide advice to the Board (including recommending their signing by the Chair of the Board)
- b) assess, in particular:
 - i. the NPGA's compliance with accounting standards, including an assessment of the appropriateness of accounting policies and disclosures;
 - ii. areas of significant judgement and financial statement balances that require estimation,
 - iii. any significant changes to accounting policies and practices,
 - iv. review significant or unusual transactions, and
 - v. whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures.
- c) review the processes in place designed to ensure that financial information included in the NPGA's Annual Report is consistent with the signed financial statements.
- d) monitor the standard of financial information provided to the Board, and
- e) discuss with the ANAO the auditor's judgements about the adequacy and quality of the NPGA's accounting policies and processes for the preparation of the financial statements through discussion with the ANAO, and:
 - i. whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures, and
 - ii. processes to ensure that financial information included in the NPGA's annual report are consistent with the signed financial statement.

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Performance Reporting

21. The ARC will review and provide advice on the appropriateness of systems and procedures for assessing and reporting the achievement of the NPGA's performance. In particular, the ARC will satisfy itself that:
 - a) the Portfolio Budget Statements and Corporate Plan include details of how their performance will be measured and assessed
 - b) the approach to measuring its performance throughout the financial year against the performance measures included in the Portfolio Budget Statements and Corporate Plan is sound, and has taken into account guidance issued by the Department of Finance, and
 - c) there are sound processes in place for the preparation of its Annual Performance Statement and the inclusion of the statement as part of its annual report.
22. The ARC will review the Annual Performance Statements and provide advice to the Board on their appropriateness to the NPGA.

System of Risk Oversight and Management

23. The ARC will review and provide advice on the appropriateness of the NPGA's:
 - a) enterprise risk management policy and framework and the necessary internal controls for
 - b) the effective identification and management of risks;
 - c) approach to managing the NPGA's key risks—including those associated with individual
 - d) projects and program implementation and activities;
 - e) processes for developing and implementing the NPGA's fraud control arrangements are consistent with the Commonwealth Fraud Control Framework, and satisfy itself that the NPGA has adequate processes for detecting, capturing and effectively responding to fraud risks; and,
 - f) articulation of the key roles and responsibilities relating to risk management and adherence to them by NPGA officials.

Systems of Internal Control

24. The ARC will review and provide advice on the appropriateness of NPGAs:

Internal control framework

- a) 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.
- b) Reviewing whether management has in operation relevant policies and procedures and that these are periodically reviewed and updated.

Legislative and policy compliance

- c) Reviewing the effectiveness of systems for monitoring the NPGA's compliance with laws, regulations and associated government policies with which the NPGA must comply.

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- d) Determining whether management has adequately considered legal and compliance risks as part of the NPGA's enterprise risk management framework, fraud control framework and planning.

Internal audit coverage

- e) Reviewing the proposed internal audit coverage, ensuring that the coverage takes into account the NPG's primary risks, and recommending approval of the internal audit work plan by the Board or the nominated delegate.
 - f) reviewing all internal audit reports, providing advice to Board on major concerns identified in those reports, and recommending action on significant matters raised.
25. Annually, the ARC will provide a statement to Board on whether the NPGA's system of internal control is appropriate, with reference to any specific areas of concern or suggestions for improvement.

Other responsibilities

26. The ARC will, in relation to the following functions:
- a) **Business continuity:** satisfy itself that an appropriate approach has been taken in establishing business continuity planning arrangements, through business continuity and disaster recovery plans that have been periodically updated and tested.
 - b) **Ethical and lawful conduct:** assess whether the accountable authority 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
 - c) **Parliamentary committee reports, external reviews and evaluations:** satisfy itself that the entity has appropriate mechanisms for reviewing relevant parliamentary committee reports, external reviews and evaluations of the entity and implementing, where appropriate, any resultant recommendations.
 - d) **Work, Health and Safety:** ensure a best practice and continuous improvement approach is adopted by the gallery. Monitor compliance with work health and safety legislation, standards, codes of practice, policies and procedures.
 - e) **Delegations:** assess whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.
27. The ARC will also undertake other activities related to its responsibilities as requested by the Board of the NPGA and initiate and/or oversee special investigations as considered necessary.

Audit Services

Internal Audit

28. The ARC will:
- a) review the proposed internal audit coverage, ensure the coverage is aligned with the NPGA's key risks, and recommend approval of the Annual Audit Work Plan by the Board
 - b) review progress against the approved internal audit work plan and recommend any significant changes to Board

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- c) coordinate, as far as practicable, audit programs conducted by internal audit and other review functions
- d) review all audit reports and provide advice to the Board on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice
- e) monitor management's implementation of internal audit recommendations
- f) review the internal audit charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place
- g) periodically review the performance of internal audit; and
- h) recommend to the Director the appointment of the internal auditor where outsourced or co-sourced.

External Audit

29. The ARC will engage with the ANAO, as the NPGA's external auditor, in relation to the ANAO's financial statement and performance audit coverage.
30. In particular, the ARC will:
 - a) Provide input and feedback on financial statement and performance audit coverage proposed by external audit, and provide feedback on the audit services provided;
 - b) Review all external audit plans and reports in respect of planned or completed audits and monitor management's response and implementation of audit recommendations;
 - c) Provide advice to the Board on action to be taken on significant issues raised in relevant external audit reports or better practice guides.

Reporting

31. The committee will regularly update the Board on its activities and make recommendations to the Board, as appropriate.
32. Following a meeting of the ARC, the Chair will report to the Board at the next Board meeting on any matters that should be brought to the attention of the Board.
33. The committee will at least once annually confirm to the NPGA Board that all functions/responsibilities outlined in this charter have been carried out, and comply with any other reporting requirements specified by the NPGA Board from time to time.

Administrative arrangements

Meetings

34. The ARC will meet at least three (3) times per year. One or more special meeting may be held to review the NPGA's annual financial statements or to meet other responsibilities of the committee.
35. All committee members are expected to attend each meeting, in person or via tele-or-video conference.

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36. The Chair is required to call a meeting if asked to do so by the NPGA Board, and hold a meeting if requested by another member, internal audit or the ANAO.

Planning

37. The ARC 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 outlined in this charter.

Quorum

38. A quorum will consist of a majority of committee members. The quorum must attend at all times during the meeting.

Secretariat

39. Secretariat arrangements will be the same as for the NPGA Board. The secretariat will:

- a) ensure the agenda for each meeting is approved by the Chair of the ARC
- b) the agenda and supporting papers are circulated at least five days prior to the meeting; and with one weekend between the circulation of papers and the meeting (whichever is longer)
- c) ensure the minutes of the meetings are prepared and maintained. Minutes must be reviewed by the Chair and circulated within two weeks of the meeting to each member and committee observers, as appropriate.

40. Information, including papers, will be provided to members by the Secretariat through the electronic board management system Diligent.

Conflicts of interest

41. Once each year, members of the committee will provide written declarations, through the Chair, to the NPGA Board declaring any material personal interests they may have in relation to their responsibilities.

42. 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 if they should excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s). Details of material personal interests declared by the Chair and other members, and actions taken, will be appropriately recorded in the minutes.

Induction

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

44. The ARC will adopt and maintain a program of training and awareness-raising for its members with the objective of enabling the ARC to keep abreast of contemporary developments and leading practices in relation to its functions.

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Assessment arrangements

45. The Chair of the ARC will initiate a self-assessment of the performance of the committee at least once every two years. The review will involve input from the NPGA Board, each committee member, senior management, internal audit, the ANAO, and any other relevant stakeholders as determined by the committee.

Circular resolutions

46. A resolution in writing delivered either electronically (i.e. by email) that has been:

- notified to all Members; and
- approved by a majority of all Members,

will be valid as if it had been passed at a meeting of the ARC and should be recorded in the minutes of the ARC's next meeting.

Approval and Review

47. At least once every three years the ARC will review this charter. All changes to the charter will be recommended by the committee and formally approved by the NPGA Board.

Further information

48. For further information, please contact the Governance and Risk Manager.

References

- [Public Governance, Performance and Accountability Act 2013](#)
- [National Portrait Gallery of Australia Act 2012](#)