



AFP
AUSTRALIAN FEDERAL POLICE

Audit and Risk Committee Charter

Date of Last Endorsement	May 2019
Date of Last Review	July 2020
Date of Next Review	July 2021
Branch Owner	Internal Audit

1. Introduction

The Commissioner has established the AFP Audit and Risk Committee (the Committee) 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. Objective

The objective of the Committee is to provide independent advice to the Commissioner on the appropriateness of the AFP's risk, control and compliance framework, and its financial statement and performance reporting responsibilities.¹

3. Authority

The Commissioner authorises the Committee, within the scope of its responsibilities, to:

- Obtain any information it requires from any employee or external party (subject to any legal obligation to protect information);
- Discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- Request the attendance of any employee, including the Commissioner, at Committee meetings; and
- Obtain legal or other professional advice, as considered necessary, to meet its responsibilities at the AFP's expense, subject to delegation limits.

4. Composition and tenure

The Committee is to comprise at least three external² members appointed by the Commissioner. The Commissioner may also appoint internal members, however such appointments may not extend beyond 30 June 2021.

Until 30 June 2021, the position of Chief Operating Officer will be appointed as an internal member. After this time, the position of COO will be appointed as an Advisor.

Members will be appointed for an initial period not exceeding three years. Members may be re-appointed by the Commissioner for a further period not exceeding two years, unless otherwise agreed following discussions with the Chair.

The Commissioner will appoint the Chair and Deputy Chair of the Committee. The Deputy Chair will act as Chair in the absence of the Chair.

Members may be supported at meetings by Advisors with standing invitations issued by the Chair. Advisors will be AFP Senior Executive Service members and will be appointed by the Commissioner for

¹ The objective is met by undertaking the functions specified at Section 5.

² Per *PGPA* rule 17. From July 2021, no Committee members may be employees of the AFP; and the majority of members must not be employees of any Commonwealth entity.

an initial period of three years. These Advisors will receive all papers and attend all meetings.

The Commissioner, Chief Financial Officer, National Manager Forensics and IT Innovation, Chief Counsel, representatives from the external auditor, the Australian National Audit Office (ANAO), and Internal Audit may attend relevant Committee meetings (in whole or in part) as observers, as determined by the Chair of the Committee.

Members are expected to understand and observe the legal requirements of the *PGPA Act 2013* and rules as well as the following responsibilities:

- act in the best interest of the good governance of the AFP
- apply good analytical skills, objectivity and exercise good judgment
- express opinions constructively and openly raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry
- contribute the time required to review the papers provided.

Members, taken collectively, will have a broad range of knowledge, skills and experience relevant to the operations of the AFP. At least one Member of the Committee should have accounting or related financial management experience and/or qualifications, and a comprehensive understanding of accounting and auditing standards in a public sector environment.

5. Functions

The Committee has no executive powers, supervisory functions or decision-making authority in relation to the operations of the AFP, except those expressly provided by the *PGPA Act 2013* or delegated to it by the Commissioner.

The Committee's functions will comply with the *PGPA Act* in respect of Audit Committees. The Committee's role in relation to risk management will be complementary to this and will entail ongoing consideration of the ways in which risks are managed by those with executive responsibilities.

As required under the *PGPA Act (PGPA Rule 17)* the Committee will review and provide written advice to the Commissioner on the appropriateness of the AFP's:

- **Financial Reporting:** This will include consideration as to whether:
 - i. the annual financial statements, in the Committee's view, comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance
 - ii. the special purpose financial statements of ACT Policing, the Australian Institute of Police Management (AIPM), and the Asia/Pacific Group on Money Laundering (APG) are supported by appropriate management sign-off and adequate systems of internal control
 - iii. additional entity information (other than financial statements) required by the Department of Finance for the purpose of preparing the Australian Government consolidated financial

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- statements (including the supplementary reporting package) comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance
- iv. the AFP's financial reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.
- **Performance Reporting:** The Committee will review and provide advice on the appropriateness of the AFP's systems and procedures for assessing, monitoring and reporting on achievement of the entity's performance. In particular, the Committee will:
 - i. satisfy itself that the entity's:
 - Portfolio Budget Statements and Corporate Plan contain appropriate details of how the entity's performance will be measured and assessed;
 - approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements 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;
 - systems and processes for preparation of its annual performance statements and inclusion of the statement in its annual report are appropriate.
 - ii. review the annual performance statements and provide advice to the Commissioner on their appropriateness to the entity.
 - iii. provide a statement to the Commissioner as to whether, in their view, the AFP's annual performance statements and performance reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.
 - **System of risk oversight and management:** This will include consideration as to whether:
 - i. the AFP has a sound enterprise risk management framework and associated processes for effective identification and management of the AFP's business and financial risks, including those associated with individual projects, program implementation, and activities
 - ii. the process for developing and implementing the AFP's fraud control arrangements is sound, and the AFP has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks
 - iii. the AFP's system of risk oversight as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.
 - **System of internal control:** This will include consideration of:
 - i. the AFP's overall control environment, as reflected in its governance, risk management, integrity, security, business continuity management arrangements and other compliance obligations
 - ii. Internal Audit resourcing and coverage in relation to the AFP's key risks, and recommending approval of the Internal Audit Annual Work Program by the Commissioner

- iii. Internal Audit and Australian National Audit Office (ANAO) reports, providing advice to the Commissioner about significant issues identified, and monitoring the implementation of agreed actions in accordance with the AFP's agreed approach
- iv. whether the AFP's system of internal control as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

The Committee will also provide advice to the ACT Chief Police Officer regarding the ACT Policing Financial Statements together with the related assurances from the Chief Financial Officer on internal controls, legislative compliance and fraud control processes supporting those statements.

The Committee will maintain an annual forward work plan, noting that it may consider other or additional matters in response to changes in the AFP's operations and environment. The forward work plan will be subject to review by the Committee at each meeting.

The Committee is directly responsible and accountable to the Commissioner for the exercise of these functions. In carrying out these functions, the Committee must at all times recognise that primary responsibility for management of the AFP rests with the Commissioner.

6. Reporting

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

The Committee will as often as necessary, and at least once a year, report to the Commissioner on its operation and activities during the year.

The Committee may, at any time, report to the Commissioner 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 Commissioner.

7. Meetings

The Committee will meet at least four times per year (more often if required). A special meeting may be held to review the AFP's annual financial statements. The Chair will call a meeting if requested by the Commissioner, or another Committee Member.

7.1 Attendance at meetings and quorums

A quorum shall consist of a majority of committee members. A quorum must be in place any time a decision is to be made.

Members are not permitted to send proxies if they are unable to attend meetings.

7.2 Planning

The Committee will develop a forward meeting schedule and work plan that includes the proposed agenda items for each meeting for the forthcoming year, and that covers all the functions outlined in this Charter.

7.3 Secretariat

Internal Audit shall attend all meetings and 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
- the minutes of the meetings are prepared and maintained. Minutes must be circulated within two weeks of the meeting to each Member and Committee observers, as appropriate.

7.4 Conflicts of interest

Once each year, Members of the Audit and Risk Committee will provide written declarations to the Chair for provision to the Commissioner declaring any potential or actual conflicts of interest 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 Chair should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each Audit and Risk Committee meeting, Members are required to declare any potential or actual conflicts of interest 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). Details of potential or actual conflicts of interest declared by Members and action taken will be appropriately recorded in the minutes of the meeting.

7.5 Induction

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

7.6 Assessment arrangements

The Chair of the Audit and Risk Committee will initiate a review of the performance of the Committee at least once every two years. This review will be conducted on a self-assessment basis, unless otherwise determined by the Commissioner, with appropriate input sought from the Commissioner, Committee members, senior management, the internal and external auditors, Chief Financial Officer and any other relevant stakeholders as determined by the Commissioner.

7.7 Review of charter

At least once a year the Committee will review this Charter. This review will include consultation with the Commissioner. Any substantial changes to the charter will be recommended by the Committee and formally approved by the Commissioner.