

Audit & Risk Committee Charter

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Context

1. This Charter sets out the functions, roles, responsibilities, accountabilities, composition, tenure, reporting and administrative arrangements of the Audit and Risk Committee (the Committee) of the Net Zero Economy Authority (the Authority).
2. The Authority is established by section 14 of the *Net Zero Economy Authority Act 2024* (NZEAA Act) as a statutory authority of the Australian Government. The Authority is a non-corporate Commonwealth entity constituted by the Board of the Authority, its Chief Executive Officer (CEO) and staff. The Board is the Accountable Authority.
3. The Board has established the Committee in accordance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 17 the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule).
 - a. Section 45 of the PGPA Act requires the Accountable Authority of a Commonwealth entity to ensure their entity has an audit committee that is constituted and performs functions in accordance with requirements in the PGPA Rules. The Rules provide that the functions of an entity's audit committee must be set out in a written charter.
4. The Charter reflects relevant Australian Government legislative and policy settings that apply to the Committee and the Authority, notably the PGPA Act and PGPA Rule, and associated Resource Management Guide (RMG 202). The Charter draws from the model charter for audit committees published by the Department of Finance.

Role and Functions

5. The role of the Committee is to provide independent advice and assurance to the Board on the appropriateness of the Authority's:
 - a. financial reporting
 - b. performance reporting
 - c. system of risk oversight and management
 - d. system of internal control
 - e. administration of the internal and external audit function, and
 - f. systems and practices to support integrity and legislative compliance in Authority operations.
6. **Financial reporting:** the Committee will review and provide advice to the Board on the appropriateness of:
 - a. the annual audited financial statements of the Authority, related management representations and Supplementary Reporting pack, including whether the statements are compliant with the PGPA Act and Rules, Accounting Standards and supporting guidance
 - b. the processes and systems for preparing financial information and the Authority's financial reporting as a whole, including any specific areas of concern or suggestions for improvement, and
 - c. the appropriateness of the Authority's accounting policies and practices in the light of relevant laws, accounting standards and principles.

7. **Performance reporting:** the Committee will review and provide advice to the Board on the appropriateness of:
 - a. the Authority's systems and procedures for assessing, monitoring and reporting on its performance, including performance measures and indicators, and consistency with the Commonwealth Performance Framework and PGPA Rule
 - b. the Authority's annual performance statement, including recommending acceptance/amendment by the Board, with reference to any specific areas of concern or suggestions for improvement, and
 - c. performance information included in the Portfolio Budget Statements and Corporate Plan, including details on how the Authority's performance will be measured and assessed.
8. **System of risk oversight and management:** the Committee will review and provide advice to the Board on the appropriateness of:
 - a. the Authority's risk management policy and framework, including its consistency with the Commonwealth Risk Management Policy
 - b. the Authority's processes for identification and management of key risks
 - c. the articulation of key roles, responsibilities relating to risk management, adherence to them by officials of the Authority, and the Authority's risk management capability and culture, and
 - d. processes for fraud and corruption control, including consistency with the Commonwealth's *Fraud and Corruption Control Framework 2024*.
9. **System of internal control:** the Committee will review and provide advice to the Board on the appropriateness of:
 - a. the Authority's governance arrangements, including whether appropriate policies and procedures are in place, such as Accountable Authority Instructions, delegations and business continuity management arrangements
 - b. legislative and policy compliance, including systems for monitoring compliance, and consideration of legal and compliance risks as part of the Authority's enterprise risk management framework, fraud control framework and planning
 - c. security policies and arrangements, particularly compliance with the *Protective Security Policy Framework*
 - d. internal audit coverage and resourcing, ensuring that the coverage takes into account the Authority's primary risks, and recommending approval of the internal audit work plan by the board
 - e. reviewing all internal audit reports, providing advice to the accountable authority on major concerns identified in those reports, and recommending action on significant matters raised—including identification and dissemination of information on good practice
 - f. reviewing external reports (Auditor-General, The Joint Committee of Public Accounts and Audit and other parliamentary committees, Royal Commissions etc.) and recommendations relevant to the Authority which may have wider implications and promote better practice, and
 - g. reviewing the implementation of agreed recommendations from ANAO audits or JCPAA and other parliamentary committee reports directed to the Authority.

10. **Administration of the internal and external audit function:** the Committee will:
- a. make recommendations to the Board on the appointment and removal of the Authority's internal (contracted) auditors
 - b. facilitate the independence of the Authority's (contracted) internal auditors
 - c. recommend an annual internal audit plan to the Board, and
 - d. provide a forum for communication between the Board, management, and internal and external auditors.
11. **Integrity and lawful conduct:** the Committee will review and provide advice to the Board on:
- a. arrangements to embed a culture and practices that promote integrity in Authority operations, based on the *Commonwealth Integrity Maturity Framework*, and
 - b. arrangements to ensure compliance with the Authority's enabling legislation, including administration of the Energy Industry Jobs Plan.

Obtaining information and advice

12. The Board authorises the Committee, within its responsibilities, to:
- a. obtain additional information from any Authority official or external party (subject to any legal, confidential or other obligations) considered reasonably necessary to support informed decision making by the Committee in relation to its functions
 - b. discuss any matters with the external auditor, or other external parties (subject to any legal, confidential or other obligations)
 - c. request Board members or Authority officials to attend Committee meetings, and
 - d. subject to approval by the Board Secretary, obtain independent professional advice (including but not limited to legal, accounting and financial advice) at the Authority's expense in order to meet the Committee's responsibilities.
13. The Committee's requests for access to Authority employees and to business records:
- a. must not be unreasonable or unnecessarily onerous in terms of the timeframes and availability of staff and the scope of documents and timeframes for compliance, and
 - b. must be arranged through and approved by the Board Secretary.

Membership

14. The Committee will consist of at least three (3) members, a majority of which must not be officials of an Australian Government entity.¹
15. A Committee member:
- a. must not be an employee of the Authority (noting that a person engaged primarily for the purpose of being a member of the Committee will not be treated as an employee for this purpose), and
 - b. must not be a Board member or the CEO.

¹ An *official* is an individual who is in, or forms part of, the entity (section 13(2) of the PGPA Act). These individuals can be officers, employees or members of the entity, or a person or member of a class of persons prescribed by the rules made under the PGPA Act to be an official.

16. In appointing members to the Committee, the Board will seek to ensure:
 - a. all members, individually, have qualifications, knowledge, skills and experience relevant to the Committee's functions, as set out in this Charter
 - b. the members, collectively, cover the diversity of qualifications, knowledge, skills and experience needed for the Committee to perform its functions
 - c. at least one member has accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment, and
 - d. members possess, or have the capacity to develop, subject matter knowledge relevant to the functions of the Authority.
17. The level of remuneration of members will be determined by the Board with reference to the committee's composition, the qualifications, knowledge, skills and experience of each member, the importance of their responsibilities, the commitment required, and benchmarking against other public service audit committees.
18. The Board will:
 - a. appoint all Committee members
 - b. appoint one of the members as Chair of the Committee
 - c. appoint another member to act as Chair in the Chair's absence, and
 - d. determine (in consultation with the Committee) the rotation of Committee (member appointments and succession planning).
19. Members will be appointed for an initial period not exceeding three years. Members may be reappointed after a formal review of their performance (the scope and nature of which is to be determined by the Board), for a further period not exceeding two years, unless otherwise agreed to by the Board.

Duties and responsibilities

20. Committee members are expected to understand and observe the legal requirements of the PGPA Act and PGPA Rule.
21. Committee members are required to:
 - a. act objectively in the best interests of the Authority
 - b. apply good analytical skills, objectivity, and good judgement
 - c. express opinions constructively and openly, raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry
 - d. engage with Authority management in a constructive and professional manner in discharging the Committee's responsibilities and formulating advice to the Board
 - e. contribute the time needed to review the papers provided and meet their responsibilities, and
 - f. not use or disclose information obtained by the Committee except in meeting the Committee's responsibilities, or unless otherwise expressly agreed by the Board Chair.

22. The Chair's roles and responsibilities include:
- a. chairing Committee meetings
 - b. leading and directing the Committee to ensure that it is effectively performing its functions and exercising its powers
 - c. leading and directing other Committee members to ensure that they are effectively performing their roles
 - d. ensuring Committee meetings are effective, efficient, respectful and allow for robust debate
 - e. ensuring that each Committee member has the opportunity to be heard at all meetings and bring an independent judgment to bear in decision making
 - f. ensuring that any Committee resolution is clarified and encompasses any changes that may have been made during discussions before it is put to the Committee for approval and recording in the minutes
 - g. being the spokesperson for the Committee (e.g. in reporting to the Board)
 - h. overseeing the functions of the Committee
 - i. establishing and maintaining an effective working relationship with the Board, CEO and Board Secretary, and
 - j. establishing and maintaining effective working relationships with other key stakeholders.

Managing conflicts of interest

23. Committee members, prior to and during their appointment as Committee members, are under an ongoing obligation to disclose and manage any potential or actual conflicts of interest, particularly material personal or corporate interests, in relation to their role as a Committee member.²
24. The possibility of a conflict of interest usually arises where '*a reasonable person looking at the relevant facts and circumstances of the particular case would think that there was a real sensible possibility of conflict*'.³ Board and public confidence in the integrity of decisions and advice by the Committee also requires that there be no perception of bias or conflict of interest in Committee members.
25. Potential or actual conflicts of interest of Committee members are to be managed pursuant to Authority policies. This includes:
- a. providing an initial declaration of interests
 - b. updating the declaration whenever there is a material change of circumstances potentially relevant to their role, and
 - c. declaring interests specific to a meeting agenda item.
26. The processes for managing potential or actual conflicts of Committee members can include the provision of independent legal advice, at the Authority's cost, to resolve such matters.

² Section 26 of the NZEA Act; PGPA Act and PS Act.

³ Boardman v Phipps [1967] 2 AC 46 at 124.

Meetings

27. The Committee must meet at least four times per year. Special meetings, in addition to the four required meetings:
 - a. must be held if asked to do so by the Board Chair
 - b. may be held to review the Authority's annual Financial Statements and Annual Performance Statement, and
 - c. may be held if requested by another Committee member.
28. Whenever possible, a Committee member-designate will attend Committee meetings during a transition period prior to the retirement of the Committee member that they will replace.
29. A quorum will consist of a majority of Committee members. A Committee member may attend a meeting via video or telephone rather than in person.

Other Committee attendees

30. Board members can attend Committee meetings as observers, with the agreement of the Committee.
31. The CEO, the Board Secretary and the COO are expected to attend Committee meetings as advisors.
32. Representatives from the Australian National Audit Office (ANAO) and the Authority's Internal Auditor will be invited to attend all Committee meetings and can present papers to the Committee, but will not be entitled to vote.
33. Subject to the prior approval of the Committee Chair, other Authority employees, the Authority's external auditors and/or other persons can attend Committee meetings as observers.

Meeting agenda

34. The Committee, with support of the Board Secretary, will develop a forward meeting schedule on a rolling 12 month basis that includes the dates, location and proposed agenda items for each Committee meeting, which must include the accountability and reporting requirements and timelines under the PGPA Act and the functions and responsibilities outlined in this Charter.
35. At least four weeks prior to the date of the next Committee meeting, the Committee Chair should finalise the agenda for the meeting. Committee members can request the Committee Chair to approve the inclusion of a particular item on a meeting agenda, provided the request is made with sufficient notice to enable the issue to be properly considered by other Committee members.

Records and Reporting

36. The Committee will keep minutes recording Committee meetings and any business conducted outside of meetings. Draft minutes will be reviewed by the Committee Chair after the meeting, and distributed within ten business days to each Committee member and meeting observers.
37. Following each Committee meeting, the Committee Chair will provide a brief to the Board which summarises the outcomes of each meeting and attaches a copy of the meeting Minutes. The Committee Chair may, at any time, report to the Board Chair on any other matter they deem of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Board, via the Committee Chair.

38. The Committee will as often as necessary, and at least once a year, provide a written report to the Board on the Committee's operations and activities during the year, including statements on the appropriateness of the Committee's functions as a whole, and any specific areas of concern or suggestions for improvement.

Board Secretary

39. The Committee will be supported by the Board Secretary, who will be responsible for:
- a. supporting the Committee to develop and discharge its annual work plan
 - b. supporting the Committee to develop an internal audit program
 - c. delivering the internal audit program, and facilitating reporting to the Committee by internal and external auditors
 - d. providing administrative and secretariat support to the Committee, and
 - e. keeping minutes of Committee meetings, and providing them, or relevant extracts from them, to the Authority's internal and external auditors.
40. The Board Secretary will ensure the agenda for each Committee meeting and supporting papers are circulated at least one week before the Committee meeting, and ensure the minutes of the Committee meeting are prepared and maintained.

Internal & external audit

41. The Authority's internal auditors are accountable to the Committee. While day to day issues under the contract with outsourced internal auditors will be handled by the Board Secretary, the Authority's internal auditors will have direct access to the Committee at any time.
42. The Committee is the channel to the Board for communication with the Authority's external auditors, the ANAO, and any consultants engaged by the ANAO.

Performance review

43. The Chair of the Committee will undertake a review of the performance of the Committee at least every two years. The outcome of the review will be reported to the Board.
44. The review should include:
- a. the Committee's assessment of its performance against its role and functions in the Charter, including how the Committee's performance could be improved
 - b. feedback from Board members the CEO, Board Secretary and Chief Operating Officer, and
 - c. any other matters the Committee Chair, Board Chair or CEO consider relevant.
45. The Committee will review the appropriateness of this Charter at least annually, in consultation with the Board. The outcomes of this review will be reported to the Board.