

NPGA AUDIT COMMITTEE CHARTER

INTRODUCTION

The National Portrait Gallery of Australia (NPGA) Board has established the Audit 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*.

This charter sets out the Committee's purpose, authority, membership, functions, reporting and administrative arrangements.

PURPOSE

The Committee is a committee of the Board of the National Portrait Gallery of Australia (NPGA) established to assist the Board discharge its duties under the *National Portrait Gallery of Australia Act 2012* and the *Public Governance, Performance and Accountability Act 2013* in respect of financial reporting, risk oversight and management, internal control and compliance with relevant laws and policies.

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 responsibilities and formulating advice to the Board.

AUTHORITY

The Board authorises the Committee, within its 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 ANAO, or other external parties (subject to confidentiality considerations);
- request the attendance of any official, including members of the Board, at Committee meetings;
- obtain legal or other professional advice at the NPGA's expense, as considered necessary to meet its responsibilities.

MEMBERSHIP

The Audit Committee comprises a minimum of three members, appointed by the Board.

The Board will appoint the Chair of the committee who shall not be the Chair of the Board of the NPGA.

The committee is authorised to appoint a Deputy Chair who will act as Chair in the absence of the Chair.

The Chair of the NPGA and other Board members may attend committee meetings, and can receive copies of all Committee papers if they so choose.

The Chief Executive (Director), Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit or other management representatives may attend meetings as advisers and observers, as determined by the Chair, but will not be a member of the Committee.

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

Membership of the Committee 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.

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

FUNCTIONS AND RESPONSIBILITIES

With reference to *PGPA Act Rule 17*, the mandatory functions of the NPGA Board's Audit committee include reviewing the appropriateness of the NPGA's financial reporting, performance reporting, system of risk oversight and management, and system of internal control. The committee's responsibilities are as follows:

Financial reporting

The Committee will:

- Review the financial statements and provide advice to the Board (including recommending their signing by the Chairman of the Board). In particular, the committee will assess:
 - a) the NPGA's compliance with accounting standards, including an assessment of the appropriateness of accounting policies and disclosures;
 - b) areas of significant judgement and financial statement balances that require estimation;
 - c) any significant changes to accounting policies and practices;
 - d) review significant or unusual transactions, not covered by (b) or (c) above; and
 - e) whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures.
- 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.
- Monitor the standard of financial information provided to the Board.
- Discuss with the ANAO the auditor's judgements about the adequacy of the NPGA's accounting policies and the quality of the NPGA's processes for the preparation of the NPGA's financial statements.

Performance reporting

The Committee will:

- Consider any issues relating to the NPGA's performance that the committee considers warrant review, or are referred to the committee by the Board.

- Monitor the standard of non-financial performance information provided to the Board.
- Review the proposed reporting of the NPGA's performance to ensure that the information is consistent with the NPGA's reported financial information.

Systems of risk oversight and management

The Committee will:

- Assess whether management has in place a current and sound enterprise risk management framework and associated procedures for effective identification and management of the entity's business and financial risks, including fraud; and approve the Risk Management Framework.
- Determine whether a sound and effective approach has been followed in managing the entity's major risks, including those associated with individual projects, program implementation, and activities.

System of internal control

Internal control framework

- Assess whether management has in place comprehensive and relevant policies and procedures designed to maintain an effective internal control framework, including over external parties such as contractors and advisers.
- At least once a year, determine whether management has appropriate processes in place to assess compliance with key policies and procedures.
- Assess the adequacy of the NPGA's Information Technology security arrangements.

Delegations

- Assess whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.

Business continuity management

- Determine whether a sound and effective approach has been followed in establishing the NPGA's business continuity planning arrangements, including whether business continuity and disaster recovery plans are periodically updated and tested.

Ethical and lawful behaviour

- Assess whether management has taken steps to embed a culture that promotes the proper use of Commonwealth resources and is committed to ethical and lawful behaviour.

Internal audit

- Review and approve the Internal Audit Charter.
- Review the proposed internal audit coverage, ensure the coverage is aligned with the NPGA's key risks, and approve the Internal Audit Plan and internal audit budget.
- Monitor management's coordination of the audit programs conducted by internal audit and other review functions.

- In consultation with management, review and approve the appointment, replacement or dismissal of the Head of Internal Audit.
- Review all audit reports and provide advice to the Board on significant issues identified in audit reports and recommend action on issues raised, including identification and dissemination of good practice.
- Monitor management's implementation of internal audit recommendations.

Legislative and policy compliance

- Assess the effectiveness of the system for monitoring the NPGA's compliance with mandatory laws, regulations and associated government policies.
- Assess where relevant, the entity's compliance with International Conventions, particularly the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.
- Determine whether management has appropriately considered legal and compliance risks as part of the entity's enterprise risk management plan.
- Provide advice to the Board regarding the issue of the entity's annual Certificate of Compliance, or equivalent report.

Other functions

- Undertake other activities related to its responsibilities as requested by the Board of the NPGA.
- Initiate and oversee special investigations as considered necessary.

ENGAGEMENT WITH THE ANAO

The committee will engage with the ANAO, as the NPGA's external auditor, in relation to the ANAO's financial statement and performance audit coverage. In particular, the committee will:

- Provide input on planned ANAO financial statement and performance audit coverage.
- Monitor management's responses to all ANAO financial statement management letters and performance audit reports, including the implementation of audit recommendations.
- Provide advice to the NPGA Board on action to be taken on significant issues raised in relevant ANAO reports or better practice guides.
- Meet privately with the ANAO at least once per year.

AUTHORITY OF THE COMMITTEE

All decisions of the committee shall be referred to the NPGA Board for approval, other than:

- The Internal Audit Charter, Internal Audit Plan and internal audit budget;
- The appointment, replacement or dismissal of the Head of Internal Audit; and
- An entity wide assurance map.

REPORTING

The committee will regularly update the Board on its activities and make recommendations to the Board, as appropriate.

Following a meeting of the Committee, the Chairman will report to the Board at the next Board meeting on any matters that should be brought to the attention of the Board.

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

The Committee 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.

All committee members are expected to attend each meeting, in person or via tele-or-video conference.

The Chairman 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

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 responsibilities outlined in this charter.

QUORUM

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

SECRETARIAT

Secretariat arrangements will be the same as for the NPGA Board. The secretariat will: ensure the agenda for each meeting is approved by the Chair of the Committee; the agenda and supporting papers are circulated at least one week prior to the meeting; and ensure the minutes of the meetings are prepared and maintained. Minutes must be reviewed by the Chairman and circulated within two weeks of the meeting to each member and committee observers, as appropriate.

CONFLICTS OF INTEREST

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

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 Chairman, 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

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

ASSESSMENT ARRANGEMENTS

The Chairman of the Committee 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.

REVIEW OF CHARTER

At least once a year the committee will review this charter. This review will include consultation with the NPGA Board. All changes to the charter will be recommended by the committee and formally approved by the NPGA Board.

CIRCULAR RESOLUTIONS

A resolution in writing delivered either electronically, by email or by mail that has been:

- a. Notified to all Members; and
- b. Approved by a majority of all Members

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