Audit Committees and performance reporting

Audience

This information sheet is relevant to accountable authorities of Commonwealth entities and audit committee members.

Legal requirements

- Subsection 45(1) of the PGPA Act requires each accountable authority of an entity to have an audit committee in place that is constituted, and performs functions, in accordance with the rules.
- Section 17 of the PGPA Rule requires the audit committee to provide independent advice and assurance to the entity’s accountable authority. Audit committees have no management function — the value of a committee is that it is independent of management and can provide advice from that perspective.

17 Audit committee for Commonwealth entities

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.

- The rule does not prescribe how the audit committee is to perform these functions. This is a matter for the accountable authority to decide, by written charter.

Performance reporting

- Under the PGPA Act the performance reporting of an entity involves the interaction between the corporate plan, annual performance statement and, to a lesser extent, the annual report.
- In terms of performance, the audit committee must provide assurance to the accountable authority on how it measures and reports on its performance. This function would necessarily involve the committee forming some view on how the entity should measure its performance and how these measures can be weaved into an effective performance story. This might evolve over time as the relative success of the performance measures being used is able to be better assessed.
• Audit committees might also choose to look at the alignment of corporate plans with annual performance statements, compliance with rule minimum requirements, and the types of performance methodologies able to be used or integrated into forward plans.

• Another potential role for audit committees could be to give assurance on support systems that sit behind performance reporting. This could involve testing the robustness of results and providing assurance that claimed results are valid and supportable.

• For more information on managing performance see finance.gov.au/resource-management/performance/