

Audit Committee Charter

1. Overview

The National Disability Insurance Agency (**Agency**) Board (**Board**) has established the Audit Committee (**Committee**) to assist the Board oversight its responsibilities and legislative obligations as the Agency's 'accountable authority' under:

- Section 45 of the *Public Governance, Performance and Accountability Act 2013* (**PGPA Act**)
- Section 17 of the *Public Governance, Performance and Accountability Rule 2014* (**PGPA Rules**), and
- *National Disability Insurance Scheme Act 2013* (**Act**).

The Board has adopted this Charter to describe the role, responsibilities and powers of the Committee and to outline the way they will be discharged. This Charter provides a framework for the operation of the Committee.

2. Role and responsibilities

The Committee is a Committee of the Board, established to assist the Board to discharge its responsibilities under the Act.

The Committee's purpose is to oversight the appropriateness of the Agency's:

- management of the internal and external audit processes
- financial reporting processes
- performance reporting processes
- system of risk oversight and management
- system of internal control, and
- process for monitoring compliance with laws and regulations and the Code of Conduct.

The Committee is not responsible for the executive management of these functions which is the responsibility of the Agency's Chief Executive Officer (**CEO**).

The Committee will engage with management in a constructive and professional manner in discharging its responsibilities and in formulating its advice to the Board.

3. Authority

The Board authorises the Audit Committee, within its responsibilities to:

- obtain any information it requires from any official or external party (subject to any legal obligation as to the collection and protection of information)
- conduct any enquiry or investigation as requested by the Board
- discuss any matters with the Australian National Audit Office (**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 Agency's expense, as considered necessary to meet its responsibilities
- delegate any of its responsibilities to a subcommittee comprised of one or more members of the committee, and
- facilitate the resolution of any disagreement(s) between the ANAO and management.

4. Composition

The Committee will comprise of at least three members, appointed by the Board including at least three persons who have appropriate qualifications, knowledge, skills or experience to assist the Committee to perform its functions.

Membership will be reviewed periodically by the Board in accordance with the Board Charter.

The Board will appoint the Chairman of the Committee who shall not be Chairman of the Board as required under Section 17(5)(a) of the PGPA Rules. The Chairman cannot be a member of the Committee but may attend meetings.

5. Engagement with the ANAO

The Committee will engage with the ANAO, as the entity'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 Board on action to be taken on significant issues raised in relevant ANAO reports or better practice guides
- review with management and the ANAO the results and conduct of the audit process
- meet privately with the ANAO at least once per year, or upon request of the ANAO or any Committee Member.

6. Functions

The Committee is responsible for the following functions:

Financial reporting

The Committee will review the financial statements and provide advice to the Board (including recommending their signing by the Chairman on behalf of the Board).

In particular, the Committee will review:

- the Agency's compliance with accounting standards
- the appropriateness of accounting policies and disclosures, including any significant changes to accounting policies
- areas of significant judgement and financial statement balances that require estimation
- significant, complex or unusual transactions
- sign-off by the Agency's management in relation to the quality of the financial statements, internal controls and compliance

- the processes in place designed to ensure that financial information included in Agency's annual report is consistent with the signed financial statements
- the auditor's judgements about the adequacy of the entity's accounting policies and the quality of the entity's processes for the preparation of Agency's financial statements, through discussions with the ANAO
- whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures, and
- the impact of any matters raised by the Scheme Actuary which impact on the financial statements of the Agency.

Performance Reporting

The Committee will review the Agency's systems and procedures for assessing and reporting the achievement of the Agency's performance.

The Committee will review the performance statements and provide advice to the Board (including recommending their signing by the Chairman on behalf of the Board).

In particular, the Committee will satisfy itself that the Agency's:

- Portfolio Budget Statements and Corporate Plan include 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 sound, has taken into account guidance issued by the Department of Finance and has sound processes in place for the preparation of its annual Performance Statement and the inclusion of the Statement in its annual report, and
- proposed Performance Statement is not inconsistent with the entity's financial information, including its financial statements, which it proposes to include in its annual report.

Annual Report

The Committee will review the narrative section of the Agency's annual report (including recommending its adoption by the Board and signing by the Board Chairman).

System of risk oversight and management

The Committee will:

- review whether management has in place a current and sound enterprise risk management framework and associated internal controls for effective identification and management of the Agency's business and financial risks, including fraud.
- satisfy itself that a sound approach has been followed in managing the Agency's highest risks including those associated with individual projects, program implementation, and activities.
- review the adequacy of legal and compliance risk management and that they are considered as part of the enterprise risk management plan; and
- review the process for developing and implementing the Agency's fraud control arrangements and satisfy itself the Agency has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks and review reports on fraud from management that outline any significant or systemic allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in the entity.

System of internal control

The Committee will:

- review management's approach to maintaining an effective internal control framework and its application to functions performed by external parties such as contractors and advisers
- satisfy itself that appropriate processes are in place to assess whether key policies and procedures are complied with and that these are periodically reviewed and updated
- review the effectiveness of systems for monitoring the Agency's compliance with laws, regulations and associated government policies with which the Agency must comply, and
- establish procedures for the confidential receipt and treatment of complaints received regarding accounting, internal control or auditing matters.

Internal audit coverage

The Committee will provide oversight for the administration of the internal audit function. This includes:

- approving the internal audit charter
- reviewing proposed internal audit coverage to ensure coverage takes into account NIDA's key risks, approving the internal audit work plan and internal audit budget, and reviewing internal audit's performance relative to the plan
- reviewing the adequacy of internal audit resources and budget to carry out its responsibilities
- reviewing all audit reports and advising the Board on significant issues identified in audit reports, and recommending action on significant issues raised, including identification and dissemination of good practice
- monitoring management's implementation of internal audit recommendations
- periodically meeting privately with the Chief Internal Auditor
- obtaining an annual report from the Chief Internal Auditor, or the outsourced internal audit service provider, on the overall state of the Agency's internal controls
- coordinating, to the extent possible, the work programs of internal audit and other assurance or review functions, and
- considering the effectiveness of the internal audit function and providing recommendations to management and the Board on any improvements needed.

Compliance

The Committee will:

- review the effectiveness of the systems and processes employed by management for the monitoring of compliance with laws, and the results of management's investigation(s) and follow-up of any instances of non-compliance (including any disciplinary action taken)
- review the process for communicating the Code of Conduct to employees, volunteers and contractors and for monitoring compliance therewith, and
- institute and oversee any special investigations as needed relating to compliance with any policy requirement.

Administration

The Committee will, in consultation with the CEO, approve:

- the appointment of the Chief Internal Auditor, and
- the appointment by the Agency of an internal audit service provider where any part of the internal audit function is outsourced or co-sourced.

The Committee will undertake other activities related to its responsibilities as requested by the Board.

7. Meetings

Convening meetings

The Committee will meet at least four times per year.

The Committee Chairman is required to call a meeting if asked to do so by the Board or if requested by another member, internal audit or the ANAO.

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.

Presiding at meetings

The Committee Chairman will preside over all meetings at which he or she is present. If the Committee Chairman is not present, the member nominated by the Committee Chairman presides or if no member has been nominated by the Committee Chairman, the other members present must appoint one of themselves to preside.

Quorum

A quorum will consist of two Committee members. The quorum must be in attendance at all times during the meeting.

Voting at meetings

Voting on an issue at a well-functioning committee is unusual. However, if that eventuality arises, a decision is to be made by a majority of the votes of the members present and voting. The member presiding at a meeting has a deliberative vote and, if the votes are equal, a casting vote.

Secretariat

An employee of the Agency will fulfil the role of Committee Secretary, and will be responsible for developing, under instruction from the Committee Chairman, an agenda for each meeting. The Committee Secretary will also ensure that papers are provided to members at least five and desirably seven days in advance of a meeting.

The Committee Secretary will attend Committee meetings for the purposes of keeping an accurate record, except for in camera sessions, but will not take part in the meeting. Minutes will be compiled, approved by the Committee Chairman and distributed to all members within seven working days of the meeting taking place.

Attendance

Any director may attend any meeting of the Committee and request a copy of any Committee paper.

The CEO, Scheme Actuary, Chief Internal Auditor, Chief Financial Officer, and Chief Risk Officer, or the person acting in such role, must attend each meeting.

The Committee Chairman may invite others to attend meetings as observers including:

- representative(s) of the ANAO, and
- representative(s) of the co-sourced internal audit service provider.

8. Decisions without meetings

The Committee can make decisions without a meeting in the following circumstances:

- all Committee members have been informed of the proposed decision (or reasonable efforts have been made to inform all members), and
- a majority of Committee members entitled to vote on the proposed decisions indicate agreement.

Committee members are to indicate agreement to a decision by providing written advice to the Committee Chairman and Committee Secretary of their agreement to the proposed decision. This can be done by electronic signature or by preliminary email advice.

9. Reporting and performance evaluation

The Committee Chairman will report to the Board at the next Board meeting following a meeting of the Committee on any matters the Committee considers should be brought to the attention of the Board.

The Committee will at least once annually confirm to the Board that all its functions have been carried out and comply with any other reporting requirements specified by the Board.

The Board will conduct an assessment of the performance of the Committee and each individual member in accordance with the Board Charter.

At least once a year the Committee will review this charter. This review will be undertaken in consultation with the Board. Any changes to the charter will be recommended by the committee and formally approved by the Board.

10. Conflicts of interest

Committee members must disclose details of any material interest that relates to the affairs of the Agency. Committee members will be asked to complete a statement of interests upon taking up their role which will be added to the standing register of interests.

Where a conflict of interest exists with respect to a particular agenda item, the committee member will not receive a paper in relation to that agenda item. At the meeting, the Committee will determine if there is value in the member participating in the discussion, and the process by which the member participates in the discussion, according to the nature of the conflict.

Records management

Owner	Christopher Sargent Board Secretary	Last updated:	June 2021
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