

# Audit and Risk Committee Charter

## 1. Overview

The National Disability Insurance Agency (the NDIA or Agency) Board (the Board) has established the Audit & Risk Committee (the Committee) to provide independent advice and assurance to the Board, as the Agency's accountable authority, in accordance with:

- the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)*
- the *Public Governance, Performance and Accountability Rule 2014 (PGPA Rule)*
- the *National Disability Insurance Scheme Act 2013 (NDIS Act)*, and
- National Disability Insurance Scheme—Risk Management Rules 2013.

The Committee will assist the Board to ensure the proper, efficient, and effective performance of the Agency's functions and, in doing so, deliver the National Disability Insurance Scheme (the NDIS or Scheme) to support the independence and social and economic participation of people with disability.

The Board has adopted this Charter to describe the role and functions 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's role is to review and provide advice to the Board on the appropriateness of the Agency's:

- financial reporting
- performance reporting
- systems of risk oversight and management including fraud, legal, safety and security risk
- systems of internal control.

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

### 3. Membership

In accordance with the PGPA Rule, the Committee must comprise at least 3 members appointed by the Board, who are not employees of the Agency and who together have appropriate qualifications, knowledge, skills, and/or experience to assist the Committee to perform its functions. The Board has determined the Committee will comprise a minimum of 4 members.

The Board will appoint a Chair of the Committee. Consistent with section 17(5)(a) of the PGPA Rule, the Board Chair cannot be a Committee member but may attend meetings as an observer.

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

Members are required to understand and observe the legal requirements of the PGPA Act and PGPA Rule.

### 4. Functions

The Committee is responsible for the following functions:

#### **Financial reporting**

The Committee will review the Agency's financial statements and provide advice to the Board on the appropriateness of the Agency's:

- annual financial statements, specifically that they comply with the PGPA Act, PGPA Rule, Accounting Standards and supporting guidance.
- action in response to any issues raised by the external auditor, including financial statements adjustments or revised disclosures.
- processes to ensure that financial information included in the Agency's Annual Report is consistent with the signed financial statements.
- financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement, and
- the impact of any matters raised by the Scheme Actuary which impact on the financial statements of the Agency.

This advice may be in the form of Committee cleared meeting minutes.

#### **Performance reporting**

The Committee will review the Agency's performance statements and provide advice to the Board on the appropriateness of the Agency's:

- systems and procedures for assessing, monitoring, and reporting the achievement of the Agency's performance, and determine that:

- the Portfolio Budget Statements and Corporate Plan contain appropriate details of how the Agency will achieve its purposes and measure and assess its performance.
- the approach to measuring performance covers the whole performance reporting lifecycle and is appropriate and in accordance with the Commonwealth performance framework guidance.
- appropriate records are maintained to enable the preparation of the Annual Performance Statements and systems and processes are in place for inclusion of the statements in the Annual Report, and
- Annual Performance Statements and performance reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

### **Systems of internal control**

The Committee will review the Agency's internal control framework and provide advice to the Board on the appropriateness of the Agency's:

- approach to maintaining an effective internal control framework.
- processes for ensuring relevant policies and procedures - such as accountable authority instructions, delegations, and other key policies - are reviewed regularly and kept up to date.
- approach to implementing controls and systems to ensure compliance with, as well as monitoring compliance performance in relation to, relevant legislation and regulations.
- consideration of legislative compliance risks within the internal control framework, fraud control framework and planning
- steps taken to embed a culture that promotes the proper use and management of public resources and is committed to ethical and lawful conduct.
- internal audit planning to ensure coverage and alignment with the Agency's key risks, reporting on major concerns identified in internal audit reports, and recommending action significant matters raised, and dissemination of information on good practice, and
- processes for monitoring the implementation of internal audit recommendations and external reports and recommendations of relevance to the Agency.

### **Internal audit coverage**

The Committee will review the Agency's internal audit coverage and provide advice to the Board on the Agency's:

- audit reports, including any significant issues identified in audit reports, and actions on significant issues raised, including identification and dissemination of good practice.
- implementation of internal audit recommendations

- annual report from the Agency's Internal Auditor, or the outsourced internal audit service provider, on the overall state of the Agency's internal controls, and
- the effectiveness of the internal audit function and providing recommendations to management and the Board on any improvements needed.

The Branch Manager Audit will engage directly with the Chair of the Audit Committee on a regular basis as part of the Committee's ongoing review of the Agency's internal audit coverage.

### **Risk oversight and management.**

The Committee will review the Agency's system of risk oversight and management and provide advice to the Board on the appropriateness of the Agency's:

- enterprise risk management policy framework and the necessary internal controls for the identification and management of the Agency's key risks, including emerging risks and risks associated with significant projects and program implementation activities, in accordance with the Commonwealth Risk Management Policy
- risk management capability and whether key roles, responsibilities and authorities relating to risk management are clearly articulated and adhered to
- approach for reporting on the management of risks to support the Board's role in oversight of risk management.
- processes for developing and implementing the Agency's fraud control arrangements, including detecting, capturing, and responding to fraud risk, in accordance with the Commonwealth Fraud Control Framework, and
- systems for risk oversight and risk management as a whole, with reference to the Commonwealth Risk Management Policy any specific areas of concern or suggestions for improvement.

The Committee will support the Board to maintain and annually review in accordance with the Risk Management Rules:

- the risk management framework, which deals with the systems, structures, processes, and people within the Agency that identify, assess, mitigate, and monitor all internal and external sources of risk that could have a material impact on the Agency's operations, funding, and financial sustainability.
- the risk management strategy, which describes the processes for the Agency to identify and assess risks, establish mitigation, and control mechanisms for individual risks, process for monitoring and reporting issues in relation to risk (including the communication and escalation of such issues).

The Committee will support the Board to ensure that the Agency has a sound risk management culture and the Agency's senior management take the steps necessary to monitor and manage all material risks that are likely to be faced by the Agency, consistent with the risk management strategy.

The Committee will monitor the Agency's:

- fraud prevention and response activities
- business continuity management strategies and activities
- management of legal matters that pose a material risk to the Agency.
- strategies, frameworks, and programs related to Workplace Health and Safety
- ICT service arrangements, including cyber security and system stability.

## **5. Engagement with the Australian National Audit Office (ANAO)**

The Committee will engage with the ANAO, as the Agency's external auditor, in relation to the ANAO's financial statement and performance audit processes. In particular, on behalf of the Board, the Committee will:

- provide input to ANAO financial statement and performance audit processes
- monitor the Agency's responses to all ANAO financial statement management letters and performance audit reports, including the implementation of audit recommendations.
- monitor and provide advice to the Board as required with regard to the Agency's performance statements.
- provide advice and recommendations to the Board on action to be taken on significant issues raised in relevant ANAO reports and/or better practice guides.
- review with management and the ANAO the results and conduct of the audit process, and
- meet privately with the ANAO at least once per year, or upon request of the ANAO or any Committee Member.

## 6. Meetings

### Convening meetings

The Committee will meet at least 4 times per year. One or more special meetings may be held as required.

The Committee Chair 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 workplan and meeting schedule that includes the dates, location, and proposed agenda items for each meeting, and that covers all the responsibilities outlined in this charter.

### Presiding at meetings

The Committee Chair will preside over all meetings at which they are present. If the Committee Chair is not present, the Committee Deputy Chair presides, or another member nominated by the Chair. If no member has been nominated by the Committee Chair, the other members present must appoint one of themselves to preside.

### Quorum

A quorum will consist of 3 Committee members. The quorum must be in attendance at all times during the meeting. However, if:

- a member has a material conflict of interest and is required not to be present during deliberations on a matter, and
- when the member leaves the meeting and there is no longer a quorum present the remaining members at the meeting constitute a quorum for the purpose of any deliberation at that meeting with respect to that matter.

### Secretariat

Secretariat arrangements will be the same as for the Board.

### Attendance

Any Board member may attend any meeting of the Committee and request a copy of any Committee paper unless a conflict of interest arises.

The CEO, Chief Risk Officer and Branch Manager Audit and relevant member(s) of the Strategic Leadership Team (SLT) will attend all meetings of the Committee unless a conflict of interest arises. Other Agency employees may attend for their item(s) only, unless otherwise invited or requested by the Committee, in consultation with the CEO.

The Committee Chair 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.

## **7. Engagement with Scheme Actuary and Reviewing Actuary**

The Committee will engage with the Scheme Actuary and Reviewing Actuary as necessary to ensure each is involved in decisions made by the Agency and the Board in relation to risk, to the extent that that involvement is appropriate and consistent with the Scheme Actuary's duties and the National Disability Insurance Scheme—Rules for the Scheme Actuary 2013.

## **8. Reporting and Review**

The Committee Chair 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. Advice may also take the form of Committee cleared meeting minutes.

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 review the Committee Charter annually. The Committee may undertake a review of the Charter when deemed necessary and make recommendations for change to the Board for approval.

The Committee may at any time report to the Board any matter it deems of sufficient importance.

## **9. Conflict of Interest**

Conflict of interest arrangements will be the same as for Board.

Every effort will be made to ensure conflicts of interest are identified prior to papers being distributed to Committee members. Where a conflict of interest exists and has been identified with respect to a particular agenda item, the Committee member will not receive a paper or attend in relation to that agenda item.

At each meeting, Committee members must disclose details of any material interest that may apply to specific matters on the meeting agenda that have not previously been identified.