



Australian Government
Australian Digital Health Agency



Audit and Risk Committee Charter

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Australian Digital Health Agency

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Approvals

This document sets out the Australian Digital Health Agency Board's Audit and Risk Committee Charter. This document has been approved by the Board and is reviewed annually.

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1 Introduction

The Australian Digital Health Agency (Agency) Board is the Accountable Authority and has established an Audit and Risk Committee (ARC) in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 17 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule 2014).

The following resources were used in developing this Charter:

- Department of Finance Resource Management Guide 202;
- a guide for corporate Commonwealth entities on the role of audit committees, March 2020; and
- Department of Finance model charter for audit committees.

2 Audit and Risk Committee legislative functions

The ARC is established to assist the Board discharge its responsibilities under the PGPA Act by reviewing the appropriateness of the Agency's:

- financial reporting;
- performance reporting;
- system of risk oversight and management; and
- system of internal control.

The ARC also assists the Board in complying with relevant laws and policies.

The ARC is not responsible for the executive management of these functions. The ARC will engage with management in a constructive and professional manner in discharging its responsibilities and formulating its advice to the Board.

3 Functions

The specific functions of the ARC are set out below. The ARC is required to advise the Board on whether, in its view, the following functions are being managed appropriately and report any specific areas of concern or suggestions for improvement.

3.1 Financial reporting

The ARC must review and provide independent advice, including a written statement to the Board, on the appropriateness¹ of the Agency's:

- annual financial statements and whether, in its view, they comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance;

¹ Note: "appropriateness" has its ordinary meaning of 'suitable or fit-for-purpose'.

- information (other than financial statements) required by Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package) and whether they comply with the PGPA Rules, the Accounting Standards and supporting guidance;
- processes and systems for preparing financial reporting information;
- financial record keeping; and
- processes in place for the Agency to stay informed throughout the year of any changes or additional requirements in relation to financial reporting.

In addition, the Board has requested the Committee to provide advice on:

- internal processes for managing budget estimates; and
- monthly financial results and reports and issues arising.

3.2 Performance reporting

The ARC must review and provide independent advice, including a written statement to the Board, on the appropriateness of the Agency's:

- Portfolio Budget Statements (PBS) and Corporate Plan (CP) and that they contain appropriate details of how the Agency's performance will be measured and assessed;
- approach to measurement and assessment of performance throughout the year against the PBS and CP;
- annual performance statement; and
- systems and procedures for assessing, monitoring and reporting the achievement of the Agency's performance in line with the Commonwealth performance framework and for preparation of its annual performance statement and inclusion of the statement in its annual report.

3.3 Risk oversight and management

The ARC must review and provide independent advice, including a written statement to the Board, on the appropriateness of the Agency's:

- enterprise risk management framework and associated internal controls for effective identification and management of the Agency's business and financial risks, in line with the Commonwealth Risk Management Policy, and satisfy itself that an appropriate approach has been followed in managing the Agency's risks, including those associated with individual projects, program implementation, and activities;
- risk management capability and whether key roles and responsibilities relating to risk management in the Agency are clearly articulated and adhered to;
- process of developing and implementing the Agency's fraud control arrangements and satisfy itself that the Agency has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks; and

- 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 Agency.

3.4 Internal control

The ARC must review and provide independent advice, including a written statement to the Board, on the appropriateness of the Agency's:

- approach to maintaining an effective internal control framework, including controls in relation to functions performed by external parties such as contractors and consultants, and whether appropriate processes are in place for assessing whether key policies and procedures are complied with;
- management and operation of policies and procedures, including accountable authority instructions, delegations and other policies that these are periodically reviewed and updated;
- approach to maintaining an effective internal security system, including policies and associated procedures and compliance with The Protective Security Policy Framework;
- the effectiveness of systems for monitoring the Agency's compliance with relevant laws and government policies and the mechanisms for the Board to be informed of any significant issues within the Agency;
- consideration of legal and compliance risks as part of the Agency's enterprise risk management framework, fraud control framework and planning;
- internal audit coverage, resources, and budget, to carry out its responsibilities, taking into account the Agency's primary risks. The ARC will recommend approval of the internal audit work plan by the Board and monitor and review the completion of the approved internal audit work plan; and
- internal audit reports and provide advice to the Board on significant issues identified in audit reports and recommend action on significant issues raised, including identification and dissemination of good practice.

4 Additional functions

The ARC is also required to undertake the following activities:

4.1 Business continuity

The ARC should satisfy itself that an appropriate approach has been taken in establishing business continuity arrangements, including whether business continuity and disaster recovery plans are in place and have been periodically tested and updated.

4.2 Ethical and lawful conduct

The ARC should assess whether the Board and the Agency have taken steps to embed a culture that promotes the proper use and management of public resources and is committed to ethical and lawful conduct.

4.3 Parliamentary committee reports, external reviews and evaluations

The ARC should satisfy itself that the Agency has appropriate mechanisms in place to review relevant parliamentary committee reports, external reviews and evaluations of the Agency and implement, where appropriate, any recommendations arising.

4.4 Other

The ARC should undertake other activities related to its responsibilities as requested by the Board.

5 Engaging with stakeholders

ARC members may:

- engage with management of the internal audit function, other officials of the entity and the Australian National Audit Office (ANAO) in discharging their advisory responsibilities and formulating their advice to the Board;
- obtain any information it requires from any official or external party (subject to any legal obligation to protect information);
- obtain legal or other professional advice at the Agency's expense, as considered necessary to meet its responsibilities;
- discuss any matters with the ANAO, or other external parties (subject to confidentiality considerations); and
- request the attendance of any official, including members of the Board, at ARC meetings.

6 Conduct of the audit committee

Committee members are required to have appropriate qualifications, knowledge, skills or experience to assist the committee perform its functions (subsection 17(3) PGPA Rule).

Collectively, the ARC requires the necessary expertise to provide independent advice to the Board on the appropriateness of the Agency's financial and performance reporting, systems of risk management and oversight, and internal controls.

It is expected that ARC members understand and observe the legal requirements of the PGPA Act, PGPA Rule 2014, the *Public Governance, Performance and Accountability Rule (Establishing the Australian Digital Health Agency) Rule 2016*, and *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*, along with any other official guidance relevant to performing their functions.

Members are also expected to:

- gain a good understanding of Agency functions, objectives and operational context;
- act in the best interests of the Agency and the Commonwealth;
- apply good analytical skills, objectivity and good judgement;
- continuously build, apply and maintain appropriate experience and awareness of the Agency's operating context, challenges and opportunities;
- express opinions constructively and openly, raise issues that relate to the committee's responsibilities and pursue independent lines of enquiry; and
- contribute the time required to meet their responsibilities.

7 Administrative arrangements

7.1 Annual work plan

The ARC 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.

7.2 Membership

The ARC comprises no less than four members, appointed by the Board. Two members are to be independent members external to the Board and the Agency.

The Chair of the Board, the Chief Executive Officer and the Chief Financial Officer must not be members of the ARC (subsection 17(5) PGPA Rule).

The Board will appoint the Chair of the ARC who may be a member of the Board but not the Chair of the Board.

The ARC may appoint a Deputy Chair, who may assume the Chair's responsibilities as required.

All the members of the ARC must be persons who are not employees of the Agency. As Board members have no executive powers or delegated responsibilities, they are eligible to be members of the ARC, and because they are not considered to be employees of the Agency, Board members (with the exception of the Board Chair) may also form a majority on the ARC.

Membership of the ARC will be reviewed periodically (but at least every three 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.

7.3 Induction

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

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

7.4 Sub-committees

The ARC may establish, at its discretion, sub-committees to assist it meet its responsibilities.

Terms of reference for sub-committees, their purpose and objectives, should be decided by the ARC. Such sub-committees are to be chaired by an ARC member.

7.5 Meetings

The ARC will meet at least four times per year. One or more special meetings may be held to review the Agency's annual financial statements and performance statement, or to meet other responsibilities of the ARC.

All ARC members are expected to attend each meeting, in person or via teleconference.

The Chair of the ARC is required to call a meeting if asked to do so by the Board and decide if a meeting is required if requested by another member, internal audit or the ANAO.

Board members may attend ARC meetings as observers. When they elect to do so, copies of ARC papers are to be provided.

Agency senior managers may be invited to attend ARC meetings as advisers and/or observers.

Representatives of the ANAO and internal auditors will be invited to attend meetings of the ARC, as advisers and/or observers.

7.6 Quorum

A quorum will consist of a majority of ARC members. The quorum must be maintained at all times during the meeting.

7.7 Secretariat

Secretariat services will be provided by the Agency.

The ARC Secretariat will:

- ensure the agenda for each meeting is approved by the Chair of the ARC;
- the agenda and supporting papers are circulated at least one week before the meeting; and
- ensure the minutes of the meetings are prepared and maintained.

Minutes must be reviewed by the Chair of the ARC and circulated within two weeks of the meeting to each member and observers, as appropriate.

7.8 Access to and use of information

The Agency is to provide the ARC with access to information the Committee necessarily requires to carry out its functions and meet its responsibilities under this charter.

ARC members are to respect any confidentiality and privacy requirements attached to information provided to it in the course of carrying out its functions and meeting its responsibilities.

7.9 Reporting

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

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

The ARC will at least once annually confirm to the Board that all functions/responsibilities outlined in this charter have been carried out and comply with any other reporting requirements specified by the Board from time to time.

8 Relationships

ARC has relationships with multiple stakeholders including, but not limited to, the Board, internal audit function, Secretariat, other officials of the entity and the ANAO in discharging their advisory responsibilities and formulating their advice to the Board.

9 Conflicts of interest

Once each year, members of the ARC will provide written declarations, through the Chair, to the Board declaring any material personal interests they may have in relation to their responsibilities. Independent members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Board, in consultation with the Chair of the ARC, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each ARC meeting, members are required to declare any material personal interests that may apply to specific matters on the meeting agenda. Where required by the Chair of the ARC, the member will be excused from the meeting or from the ARC's consideration of the relevant agenda item(s).

The Chair of the ARC is also responsible for deciding if he/she should excuse themselves from the meeting or from the ARC's consideration of the relevant agenda item(s).

Details of material personal interests declared by the Chair of the ARC and other members, and actions taken, will be appropriately recorded in the minutes.

10 Reviewing and assessing committee performances

The Chair of the ARC will undertake a self-assessment of the performance of the Committee and its members' performance against the charter at least once every two years. The review will involve input from the Board, each Committee member, senior management, internal audit, the ANAO, and any other relevant stakeholders, as determined by the ARC.

The Chair will provide the results of the self-assessment to the Board.

11 Review of Charter

At least once a year the ARC will review this charter. This review will include consultation with the Board.

Any substantive changes to the charter will be recommended by the ARC for Board approval.