

National Health and Medical Research Council Audit Committee charter

The Chief Executive has established the Audit Committee in compliance with section 46 of the *Financial Management and Accountability Act 1997* (FMA Act) and the Financial Management and Accountability Orders 2.1.1 and 2.1.2. (Attachment A)

This Charter sets out the Audit Committee's objectives, authority, composition and tenure, roles, functions and responsibilities, reporting and administrative arrangements.

Objective

The objective of the Audit Committee is to provide independent assurance and assistance to the Chief Executive (and the Executive) on the National Health and Medical Research Council's (NHMRC) risk, control and compliance framework, and its external accountability responsibilities.

Authority

The Chief Executive authorises the Committee, within the scope of its role and responsibilities, to:

- ▶ obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- ▶ discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- ▶ request the attendance of any employee, including the Chief Executive, at committee meetings; and
- ▶ obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the NHMRC's expense.

Composition and tenure

Core Committee members

- Independent Chair
- CPA/Qualified Accountant
- Member from Chairs Consultative Group
- Deputy Head, Office of NHMRC

Observers

- Australian National Audit Office (ANAO)
- Rotational member (annual basis) from an NHMRC Principal Committee

- Chief Finance Officer
- Internal Auditor
- Skills specialist
 - Nominated, as required, by the CEO for specific skills and expertise relevant to the organisation.
- Director, Property & Business Services
- Executive Director, Corporate Services Branch

Secretariat

- Provision of secretariat support to the Audit Committee

Members will be appointed for an initial period not exceeding three (3) years to be reviewed at the end of the first year by the Chief Executive and the Chair, NHMRC Audit Committee. After this review, members may be eligible for extension or re-appointment, after a formal review of their performance.

The Chief Executive, Chief Finance Officer and Internal Auditor will not be members of the NHMRC Audit Committee, but may attend meetings as observers as determined by the Chair.

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the NHMRC. At least one member of the committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

Role of the Committee

The NHMRC Audit Committee has no executive powers, except those expressly provided by the Finance Minister's Orders or delegated to it by the Chief Executive.

Functions and responsibilities

The Committee is directly responsible and accountable to the Chief Executive for the exercise of its responsibilities. In carrying out its responsibilities, the committee must at all times recognise that primary responsibility for management of the NHMRC rests with the Chief Executive.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Chief Executive from time to time.

The key functions and responsibilities of the NHMRC Audit Committee include:

- a. the approval of internal annual and strategic audit plans of the Agency;

- b. the review of all audit reports and any other relevant reviews involving matters of concern to senior management of the Agency, including the identification and dissemination of good practices;
- c. the provision of advice to the Chief Executive on action to be taken on matters of concern raised in a report of the internal auditors or in a report of the Auditor-General concerning the Agency;
- d. as far as practicable, the coordination of audit programs conducted by internal auditors and the programs conducted by the Auditor-General; and
- e. the provision of advice to the Chief Executive on the preparation and review of financial statements of the Agency.

Further responsibilities include:

Risk management

- ▶ review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of the NHMRC's financial and business risks, including fraud;
- ▶ review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- ▶ review the impact of the NHMRC's risk management framework on its control environment and insurance arrangements;
- ▶ review whether a sound and effective approach has been followed in establishing the NHMRC's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically; and
- ▶ review the NHMRC's fraud control plan and satisfy itself the NHMRC has appropriate processes and systems in place to prevent, detect and effectively investigate fraud related information.

Control framework

- ▶ review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisors, is sound and effective;
- ▶ review whether management has in place relevant policies and procedures, including Chief Executive Instructions or their equivalent, and that these are periodically reviewed and updated;
- ▶ determine whether the appropriate processes are in place to assess, at least once a year, whether policies and procedures are complied with;
- ▶ review whether appropriate policies and procedures are in place for the management and exercise of delegations;
- ▶ consider how management identifies any required changes to the design or implementation of

internal controls; and

- ▶ review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

External accountability

- ▶ review the financial statements and provide advice to the Chief Executive (including whether appropriate action has been taken in response to audit recommendations and adjustments),¹ and recommend their signing by the Chief Executive;
- ▶ satisfy itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal controls;
- ▶ review the processes in place designed to ensure that financial information included in the NHMRC's annual report is consistent with the signed financial statements;
- ▶ satisfy itself that the NHMRC has appropriate mechanisms in place to review and implement, where appropriate, relevant Parliamentary Committee reports and recommendations; and
- ▶ satisfy itself that the NHMRC has a performance management framework that is linked to organisational objectives and outcomes.

Legislative compliance

- ▶ determine whether management has appropriately considered legal and compliance risks as part of the NHMRC's risk assessment and management arrangements; and
- ▶ review the effectiveness of the system for monitoring the NHMRC's compliance with relevant laws, regulations and associated government policies.

Internal audit

- ▶ act as a forum for communication between the Chief Executive, senior management and internal and external audit;
- ▶ review the internal audit coverage and annual work plan,² ensure the plan is based on the NHMRC's risk management plan, and recommend approval of the plan by the Chief Executive;
- ▶ advise the Chief Executive on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan;
- ▶ oversee the coordination of audit programs conducted by internal and external audit and other review functions;³

¹ The FMA Orders for FMA agencies require the Audit Committee to provide advice to the Chief Executive on the preparation and review of financial statements of the Agency.

² The FMA Orders for FMA agencies provide for the Audit Committee to approve the internal annual and strategic audit plans of the Agency.

³ The FMA Orders for FMA agencies require the Audit Committee to coordinate as far as practicable, the coordination of audit programs conducted by internal auditors and those conducted by the Auditor-General.

- ▶ review all audit reports and provide advice to the Chief Executive on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice;⁴
- ▶ monitor management's implementation of internal audit recommendations;
- ▶ review the internal audit charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place;
- ▶ periodically review the performance of internal audit; and
- ▶ provide advice to and consult as necessary with the Chief Executive on the appointment of the Head of internal audit.

External audit

- ▶ act as a forum for communication between the Chief Executive, senior management and internal and external audit;
- ▶ provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided;
- ▶ review all external plans and reports in respect of planned or completed audits and monitor management's implementation of audit recommendations; and
- ▶ provide advice to the Chief Executive on action taken on significant issues raised in relevant external audit reports and better practice guides.

Responsibilities of members

Members of the committee are expected to understand and observe the legal requirements of the FMA Act. Members are also expected to:

- ▶ contribute the time needed to study and understand the papers provided;
- ▶ apply good analytical skills, objectivity and good judgment; and
- ▶ express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

Reporting

The committee will regularly, but at least once a year, report to the Chief Executive on its operation and activities during the year. The report should include:

- ▶ a summary of the work the committee performed to fully discharge its responsibilities during the preceding year;
- ▶ a summary of the NHMRC's progress in addressing the findings and recommendations made in

⁴ The FMA Orders for FMA agencies require the Audit Committee to review all audit reports involving matters of concern to senior management of the Agency, including the identification and dissemination of good practices; and provide advice to the Chief Executive on action to be taken on matters of concern raised in a report of the internal auditors or in a report of the Auditor-General concerning the Agency.

- internal, external and Parliamentary Committee reports;
- ▶ an overall assessment of the NHMRC's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the NHMRC; and
 - ▶ details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended.

The committee may, at any time, report to the Chief Executive any other matter it deems of sufficient importance to do so. In addition, at any time an individual committee member may request a meeting with the Chief Executive.

Administrative arrangements

Meetings

The committee will meet at least four times per year. A special meeting may be held to review the NHMRC's annual financial statements.

The Chair is required to call a meeting if requested to do so by the Chief Executive, or another committee member.

A forward meeting plan, including meeting dates and agenda items, will be agreed by the committee each year. The forward meeting plan will cover all of the Audit Committee's responsibilities as detailed in this charter.

Attendance at meetings and quorums

A quorum will consist of a majority of committee members. Where there is more than one independent member on the committee, a quorum will include at least one independent member.

Meetings can be held in person, by telephone or by video conference.

The internal and external audit representatives will be invited to attend each meeting, unless requested not to do so by the Chair of the committee. The committee may also request the Chief Finance Officer or other employees attend committee meetings or participate for certain agenda items.

The committee will meet separately with both the internal and external auditors at least once a year.

The Chief Executive may be invited to attend committee meetings to participate in specific discussions or provide strategic briefings to the committee.

Secretariat

The Executive Director, Corporate Services Branch is responsible for overseeing secretariat support to the committee. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, after approval from the Chair, at least one week before the meeting, and ensure the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within two weeks of the meeting to each member and committee

observers, as appropriate.

Conflicts of interest

Once a year Audit Committee members will provide written declarations to the Chief Executive stating they do not have any conflicts of interest that would preclude them from being members of the committee.

Audit Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

Where members or observers at Audit Committee meetings are deemed to have a real, or perceived, conflict of interest it may be appropriate that they are excused from committee deliberations on the issue where a conflict of interest exists.

Induction

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

Assessment arrangements

The Chair of the Audit Committee, in consultation with the Chief Executive, will initiate a review of the performance of the committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chief Executive) with appropriate input sought from the Chief Executive, the internal and external auditors, management and any other relevant stakeholders, as determined by the Chief Executive.

Review of charter

At least once a year the committee will review this charter. This review will include consultation with the Chief Executive.

Any substantive changes to the charter will be recommended by the committee and formally approved by the Chief Executive.