



# National Health and Medical Research Council Audit Committee Charter

The National Health and Medical Research Council (NHMRC) Chief Executive Officer (CEO) has established an Audit Committee (the Committee) as required under section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and in accordance with section 17 (Audit Committees for Commonwealth Entities) of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule).

## Role

The role of the Committee is to provide independent assurance to the CEO on NHMRC's financial and performance reporting responsibilities, risk oversight and management, and system of internal control.

Members of the Committee are expected to understand and observe the legal requirements of the PGPA Act and PGPA Rule. Members are also expected to:

- act in the best interests of the entity as a whole
- apply good analytical skills, objectivity and good judgment
- express opinions constructively and openly, raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry
- maintain a good understanding of the entity's operating context.

Committee members must not use or disclose information obtained through the Committee except in meeting the Committee's responsibilities, or unless expressly agreed by the CEO.

## Membership

The Committee comprises a Chair and at least three other members<sup>1</sup> appointed by the CEO. The members will be appointed for their individual skills and experience. The Committee is authorised to appoint a Deputy Chair who will act as chair in the absence of the Chair.

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

Committee members will be appointed for an initial period of no more than three years, as determined by the CEO. Members may be re-appointed, after a formal review by the CEO of their performance, for further periods as specified by the CEO.

## Advisors and Observers

The General Manager<sup>2</sup> and Chief Audit Executive<sup>3</sup> have a standing invitation to attend meetings of the Committee as Advisors. The CEO and Chief Financial Officer have a standing invitation to attend meetings of the Committee as Observers.

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<sup>1</sup> For a non-corporate Commonwealth entity from 1 July 2021, all of the members of the audit committee must be persons who are not officials of the entity; and a majority of the members must be persons who are not officials of any Commonwealth entity (s.17(4))

<sup>2</sup> The General Manager is an appointed member of the Committee until 30 June 2021 (PGPA Rule subsection 17(4)).

<sup>3</sup> The Chief Audit Executive is the senior executive officer responsible for the entity's governance and for maintaining an effective internal audit program. Currently this responsibility sits with the Executive Director, Research Quality and Priorities Branch.

Executive Directors and other management representatives may attend meetings as Observers as determined by the Chair. A representative of the ANAO and the internal audit provider may also be invited to attend meetings of the Committee as Observers.

## Functions<sup>4</sup>

In accordance with PGPA Rule subsection 17(1), the Committee's functions must include reviewing the appropriateness of NHMRC's:

- **financial reporting**—annual financial statements, financial record keeping and processes
- **performance reporting**—systems and procedures for assessing, monitoring and reporting on achievement of the entity's performance
- **system of risk oversight and management**—enterprise risk management and fraud control activities
- **system of internal control**—internal control, security compliance and policy and legislation compliance for the entity (subsection 17(2)).

A detailed list of Committee activities relating to the above functions is at [Attachment A](#).

## Annual Work Plan

The Committee will prepare an annual work plan that outlines when activities will be undertaken each year in order to perform the Committee's functions.

## Reporting

The Committee will, as often as necessary and at least once a year, report to the CEO on its operation and activities and confirm to the CEO that all functions outlined in this Charter have been satisfactorily performed.

The Committee may, at any time, report to the CEO on any other matter related to its functions, as it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the CEO.

## Administrative arrangements

### *Meetings*

The Committee will meet at least four times per year. The Chair is required to call a meeting if asked to do so by the CEO, and may decide if a meeting is required if requested by another member, an internal audit provider, or the Australian National Audit Office.

### *Quorum*

A quorum for meetings and decisions is fifty percent plus one of all members eligible to participate.

### *Secretariat*

NHMRC will provide all secretariat support, including coordination and circulation of papers, minute taking and record keeping.

## Disclosures of interest

Members are required to disclose interests, actual or perceived, relevant to this appointment and the activities of the Committee throughout the life of their appointment. NHMRC has developed

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<sup>4</sup> PGPA Rule 2014, section 17 states that the functions of an Audit Committee must include reviewing the appropriateness of the Accountable Authority's: financial reporting; performance reporting; system of risk oversight and management; and system of internal control.

guidance to assist and inform members in the exercise and management of their Disclosure of Interests responsibilities.

For any disclosed interest, the PGPA Act requires that the member is not present when matters that relate to the interest are considered, and does not take part in any decision of the Committee in relation to those matters unless the members of the Committee determine otherwise.

The Committee will determine whether the member who has disclosed an interest can participate in discussions and/or voting. The Chair will ask the Committee to make a determination, following a disclosure of interest. The member is not present while the determination is made. Details of material personal interests declared and actions taken will be appropriately recorded in the minutes.

## Induction

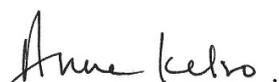
New members will receive relevant information and briefings on their appointment to assist them to meet their responsibilities on the Committee.

## Assessment arrangements

The Chair will oversee a review of Committee performance at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the CEO) with input also sought from the CEO, General Manager, Executive Directors, the internal audit provider, the ANAO, and other stakeholders as determined by the CEO.

## Review of Charter

The Committee will review this charter annually. Substantive changes to the charter will be endorsed by the Committee prior to approval by the CEO.



Professor Anne Kelso AO  
Chief Executive Officer  
National Health and Medical Research Council

Date: 16 February 2021

## Audit Committee Activities

### Financial Reporting

The PGPA Rule requires that the Audit Committee review the appropriateness of the Accountable Authority's financial reporting for the entity. This includes the Audit Committee reviewing compliance with the mandatory requirements of the PGPA Act, the PGPA (Financial Reporting) Rule and the Accounting Standards and also considering advice given in supporting guidance.

The Audit Committee reviews and provides advice on the appropriateness of the entity's:

- annual financial statements
- information (other than annual financial statements) requested by the Department of Finance in preparing the Australian Government's consolidated financial statements, including the supplementary reporting package
- processes and systems for preparing financial reporting information
- financial record keeping
- processes in place to allow the entity to stay informed throughout the year of any changes or additional requirements in relation to the financial reporting.

The Audit Committee provides a statement to the Accountable Authority as to:

- whether the annual financial statements, in the Committee's view, comply with the PGPA Act, the PGPA (Financial Reporting) Rule, the Accounting Standards and supporting guidance
- whether additional entity information (other than financial statements) required by the Department of Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package) complies with the PGPA Act, the PGPA (Financial Reporting) Rule, the Accounting Standards and supporting guidance
- the appropriateness of the entity's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

### Performance reporting

The PGPA Rule requires that the Audit Committee review the appropriateness of the Accountable Authority's performance reporting for the entity. This includes the Audit Committee reviewing the mandatory requirements of the PGPA Act, the PGPA Rule, and the Commonwealth Performance Framework and also considering advice given in supporting guidance. The review will include information provided in the Portfolio Budget Statements, the Corporate Plan and the annual performance statements.

The Audit Committee reviews and provides advice on the appropriateness of the entity's systems and procedures for assessing, monitoring, evaluating and reporting on the entity's performance. In particular the Audit Committee will consider if the:

- Portfolio Budget Statements and Corporate Plan contain appropriate details of how the entity's performance will be measured and assessed
- approach to measuring the entity's performance is appropriate and in accordance with the Commonwealth Performance Framework
- systems and processes for preparation of the annual performance statements are appropriate and will allow an accurate assessment of the entity's performance in the period.

The Audit Committee is to provide a statement to the CEO as to whether, in the Committee's view, the entity's annual performance statements and performance reporting as a whole are appropriate, with reference to any specific areas of concern or suggestions for improvement.

## Systems of risk oversight and management

The PGPA Rule requires that the Committee review the appropriateness of the Accountable Authority's system of risk oversight and management for the entity. This includes the Audit Committee gaining a sufficient understanding of the Accountable Authority's risk appetite and the entity's operating environment, and reviewing the mandatory requirements of the PGPA Act, the PGPA Rule and the Commonwealth Risk Management Policy, and also considering advice given in supporting guidance.

The Audit Committee reviews and provides advice on the appropriateness of the entity's:

- enterprise and strategic risk management, including the policy framework and internal controls for the effective identification and management of the entity's risks
- approach to managing day-to-day risks—including those associated with individual projects and program implementation and activities
- process for developing and implementing the entity's fraud control arrangements consistent with the Commonwealth Fraud Control Framework, including satisfying itself that the entity has adequate processes for detecting, capturing and effectively responding to fraud risks
- articulation of key roles and responsibilities relating to risk management and mechanisms to support adherence by officials of the entity.

The Audit Committee is to provide a statement to the CEO about whether NHMRC's system of risk oversight and management as a whole is in line with the Commonwealth Risk Management Policy and any specific areas of concern or suggestions for improvement.

## System of internal control

The PGPA Rule requires that the Audit Committee reviews the appropriateness of the Accountable Authority's system of internal control for the entity. This includes an Audit Committee gaining a sufficient understanding of the entity's operating context and governance requirements, reviewing the mandatory requirements of the PGPA Act and the PGPA Rule, and also considering advice given in supporting guidance. The Audit Committee's responsibilities in each area are outlined below.

Internal control framework:

- Review whether the entity's approach to maintaining an effective internal control framework, including in relation to functions performed by external parties such as contractors and advisers, is sound and supports adherence to relevant policies and procedures
- Review whether the entity has in place relevant policies and procedures, including Accountable Authority Instructions, and that these are periodically reviewed and updated.

Business continuity management:

- Satisfy itself that a sound approach has been followed in establishing NHMRC's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically tested and updated.

Ethical and lawful behaviour:

- Assess whether the entity has taken steps to embed a culture that promotes the proper use of Commonwealth resources and is committed to ethical and lawful behaviour.

#### Internal audit:

- Review the proposed internal audit coverage, ensure the coverage takes into account NHMRC's key risks, and recommend approval of the internal audit work plan by the CEO or General Manager
- Review all audit reports and provide advice to the CEO on significant issues identified in audit reports and recommend action on significant issues raised, including identification and dissemination of good practice.

#### Legislative and policy compliance:

- Review the effectiveness of the system for monitoring NHMRC's compliance with those laws, regulations and associated government policies with which NHMRC must comply
- Determine whether the entity has appropriately considered legal and compliance risks as part of the entity's enterprise risk management framework, fraud control framework and planning.

#### Security Compliance

- Review the entity's approach to maintaining an effective internal security system—including complying with the Protective Security Policy Framework and ICT Security Policy
- Provide a statement to the CEO on whether, in the Committee's view, NHMRC's system of internal control is appropriate for the entity, with reference to any specific areas of concern or suggestions for improvement.

#### Other activities

##### Parliamentary committee reports and external reviews:

- Satisfy itself that NHMRC has appropriate mechanisms in place to review and implement, where appropriate, relevant parliamentary committee reports and external reviews of NHMRC, and recommendations arising from these reports and reviews.