



NBA Audit and Risk Committee Charter

[Reviewed November 2019]

Preamble

This Charter outlines the objectives and responsibilities, composition and tenure, reporting and administrative arrangements of the Audit and Risk Committee (ARC) in relation to overseeing audit and fraud control activities within the National Blood Authority (NBA).

The Chief Executive is responsible for ensuring the NBA's governance control framework remains effective and that the framework supports the achievement of the NBA's objectives. To help do this, the Chief Executive has established an Audit and Risk Committee in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and PGPA Rule section 17 *Audit Committees for Commonwealth Entities*.

Role

The role of the committee is to provide independent assurance to the Chief Executive on the NBA's:

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

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

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

- act in the best interests of the NBA as a whole;
- apply good analytical skills, objectivity and good judgement;
- 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.

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

The committee will be assisted by the NBA's internal audit function that will be responsible for delivering an internal audit program in line with the Audit and Risk Committee's guidance and subject to approval by the Chief Executive. The committee will exercise a governance role in relation to the NBA's internal audit function.

Authority

The Chief Executive authorises the committee, in accordance with its role and responsibilities, to:

- obtain any information it needs from any employee or external party (subject to any 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 legal or other professional advice, as considered necessary to fulfil its role, at the NBA's expense, subject to approval by the Chief Executive, or delegate.

Membership

- The Audit Committee comprises at least three but no more than four members, appointed by the Chief Executive following consultation with the Board.
- The Chief Executive will appoint the Chair of the Committee in consultation with the Board.
- The Chair will be an independent member.
- There will be a representative of the Board on the Committee.
- The Chief Executive, Deputy Chief Executives, Chief Finance Officer, ANAO, internal auditors and appropriate NBA staff may be invited to attend each Committee meeting or portion thereof as 'participating observers' as determined by the Chair, but will not be members of the committee. They will not have a vote in resolving issues before the Committee.
- Committee members, taken collectively, will have a broad range of skills and experience relevant to the operations of the NBA. 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 not exceeding three years after which they will be eligible for re-appointment as determined by the Chief Executive.

Functions

Financial reporting

- Review the financial statements and provide advice to the Chief Executive (including recommending their signing by the Chief Executive). In particular the committee will review:
 - a) the NBA's compliance with accounting standards, including an assessment of the appropriateness of accounting policies and disclosures
 - b) areas of significant judgement and financial statement balances that require estimation
 - c) any significant changes to accounting policies and practices (by May each year)
 - d) significant or unusual transactions not covered by b) or c) above
 - e) sign-off by NBA management in relation to the quality of the financial statements, internal controls and compliance, and
 - f) whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures.
- Act as a forum for communication between the NBA management and the ANAO.
- Review the processes in place designed to ensure that financial information included in the NBA's annual report is consistent with the signed financial statements.

- Discuss with the ANAO the auditor’s judgements about the adequacy of the NBA’s accounting policies and the quality of the NBA’s processes for the preparation of the NBA’s financial statements.
- Review the NBA’s financial outcome at each meeting.
- Review the “NMF Investment Report” at each meeting.

Performance reporting

- Review the NBA’s systems and procedures for developing, measuring and reporting the NBA’s performance measures that are used to assess the achievement of the objectives of the NBA’s programs and its own operations.
- Review the framework for the selection of key performance indicators and other performance measures.
- Advise the NBA on the preparation and review of the entity’s annual performance statement.
- Form a view on how the NBA should measure its performance, and how these measures can be weaved into an effective performance story, and advise the NBA accordingly.
- Review the proposed reporting of the NBA’s performance to ensure it is consistent with the NBA’s reported financial information.
- Satisfy itself that appropriate records of performance are maintained by the NBA.
- Satisfy itself of the appropriateness of the accountable authority’s performance reporting environment consistent with the PGPA Rules.

Systems of risk oversight and management

- Review the NBA’s risk management framework and associated procedures to ensure that the NBA’s Financial, Information and Communication Technology (ICT) and Business Risks are appropriately identified and managed.
- Satisfy itself that a sound approach has been followed in managing the NBA’s major risks including those associated with individual projects, program implementation, and activities.
- Satisfy itself that management has assessed the impact of the NBA’s risk management framework on the NBA’s control environment, and insurance arrangements.
- Review the process of developing and implementing the NBA’s fraud control arrangements and satisfy itself that the NBA has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks.
- 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 NBA.

System of internal control

Internal control framework

- Review whether management’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 effective.
- Review whether management has in place relevant policies and procedures, including Accountable Authority Instructions or their equivalent, and that these are periodically reviewed and updated.
- Satisfy itself that appropriate processes are in place to periodically assess whether key policies and procedures are complied with.
- Satisfy itself that management periodically assesses the adequacy of the NBA’s information security infrastructure.

Delegations

- Review whether appropriate policies and associated procedures are in place for the management and exercise of delegations and authorisations.

Business continuity management

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

Ethical and lawful behaviour

- Assess whether management 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 the NBA's key risks, and recommend approval of the Annual Work Plan by the Chief Executive.
- Review all audit reports and provide advice to the Chief Executive 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 the NBA's compliance with those laws, regulations and associated government policies with which the NBA must comply.
- Determine whether management has appropriately considered legal and compliance risks as part of the NBA's risk management plan.
- Provide advice to the Chief Executive regarding the issue of the NBA's annual Compliance Report, or equivalent report.

Other functions

Internal audit

- Advise the Chief Executive on the adequacy of internal audit resources, or budget, to carry out its responsibilities, including completion of the approved internal audit work plan.
- Coordinate the audit programs conducted by internal audit and other assurance functions.
- Monitor management's implementation of internal audit recommendations.
- Periodically review the performance of internal audit, and report the results to the Chief Executive.
- Provide advice to the Chief Executive on the appointment of the outsourced internal auditor.
- Meet privately with the internal auditors at least once per year.

Governance arrangements

- Periodically review the NBA's governance arrangements or elements of the arrangements as determined by the Chief Executive and suggest improvements, where appropriate, to the Chief Executive.

Engagement with the ANAO

In undertaking its role, the committee will engage with the ANAO, as the NBA'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 Chief Executive on action to be taken on significant issues raised in relevant ANAO reports or better practice guides; and
- Meet privately with the ANAO at least once per year.

Annual Work Plan

The committee will prepare a work plan that outlines the activities to be undertaken to achieve the committee’s functions.

Reporting

The committee will, as often as necessary, and at least once a year, report to the Chief Executive on its operation and activities during the year and to confirm to the Chief Executive that all functions outlined in this charter have been satisfactorily addressed.

The Chief Executive shall provide an appropriate report to the Board on the outcomes of each meeting.

When the Chief Executive is not in attendance at the meeting, the Chair of the committee will report to the Chief Executive on its operations and activities and when requested provide detailed recommendations to the Chief Executive on operational improvements.

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 not less than three (3) times a year and may be held more frequently as required. One or more special meetings may be held to review the NBA’s annual financial statements and performance statements or to meet other specific responsibilities of the committee.

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

Planning

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 functions outlined in this charter.

Quorum

A quorum will consist of at least two committee members. Meetings can be held in person, by telephone or by video conference.

Secretariat

The Chief Executive, in consultation with the committee, will appoint a person to provide secretariat support to the committee. The secretariat will ensure:

- the agenda for each meeting is approved by the Chair
- the agenda and supporting papers are circulated at least one week before the meeting
- ensure that papers are noted as 'For-Official-Use-Only' due to the sensitivity of the content of the papers; and
- ensure the minutes of the meetings are prepared and maintained.

Minutes must be reviewed by the Chair and circulated in a timely manner (within two weeks) to each member and committee advisers and observers, as appropriate.

Conflicts of interest

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

At the beginning of each committee 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, the member will be excused from the meeting or from the committee's consideration of the relevant agenda item(s). The Chair is also responsible for deciding, in consultation with the Chief Executive where appropriate, if he/she should excuse themselves from the meeting or from the committee's consideration of the relevant agenda item(s). Details of any material personal interests declared by the Chair and other members, 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 committee responsibilities.

Assessment arrangements

The Chair of the committee, in consultation with the Chief Executive, will undertake 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, committee members, senior management, internal audit, the ANAO, and any other relevant stakeholders, as determined by the Chief Executive.

The Chair will provide advice to the Chief Executive on an external member's performance where an extension of the member's tenure is being considered.

Review of charter

The committee will review this charter annually at the first meeting following the completion of the financial statements. 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.

Approved

John Cahill, Chief Executive

November 2019