

# CHARTER 2019-20

## Audit and Risk Management Committee

### Agency for Clinical Innovation & Clinical Excellence Commission

---

The Board of the Agency for Clinical Innovation and Board of the Clinical Excellence Commission together, have established the Audit and Risk Committee ('the Committee') in compliance with the NSW Health Internal Audit Policy. This charter sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

#### **Objective**

The objective of this Committee is to provide independent assistance to the Boards in respect of the two Statutory Health Corporations: the Agency for Clinical Innovation (ACI) and the Clinical Excellence Commission (CEC) (herein referred to as 'the Organisations'); by monitoring, reviewing and providing advice about the Organisations' governance processes, risk management and control frameworks, and its external accountability obligations.

#### **Interpretation**

In this charter where reference is made to the "Committee" it refers to the roles, responsibilities and functions of the committee as it is established for each separate organisation.

#### **Authority**

The Board of the Agency for Clinical Innovation and the Board of the Clinical Excellence Commission authorise 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 at Committee meetings.
- Obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the individual Organisation's expense.

#### **Composition and tenure**

The Committee will consist of at least three members, and no more than five members (including the Chair), appointed by the Board. The Board will appoint the Chair and members of the Committee. The Chair is counted as one member of the Committee.

Members will be appointed for an initial period no less than three years and not exceeding five years, after which they will be eligible for extension or re-appointment for a further term(s) subject to a formal review of their performance (noting that the total term on the Committee will not exceed eight years).

The Chair must be appointed for one term only for a period of at least three years, with a maximum period of five years. The term of appointment for the chair can be extended but any extension must not cause the total term to exceed five years as a Chair of the Audit and Risk Committee.

Current employees of all NSW government sector agencies other than State Owned Corporations cannot serve

as members or Chairs of an Audit and Risk Committee.

The members should collectively develop, possess and maintain a broad range of skills and experience relevant to the operations, governance and financial management of the Organisations, the environment in which the organisations operate and the contribution that the Committee makes to the organisations. At least one member of the Committee must have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

## **ROLES AND RESPONSIBILITIES**

The Committee has no executive powers. The Committee is directly responsible and accountable to each Board 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 Organisations rests with the respective Boards. The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by the Organisation's Board from time to time.

The Committee's responsibilities are:

### **1. Risk Management**

- Review whether management has in place a current and appropriate risk management framework that is consistent with AS/NZS ISO 31000:2018
- Review risk management plans and provide advice to the agency head
- Seek assurance from management and Internal Audit that risk management processes are operating effectively
- Seek assurance from management and Internal audit as to the adequacy and effectiveness of internal controls
- Review risk reports and provide advice to the agency head
- Review whether a sound and effective approach has been followed in developing risk management plans for major projects or undertakings
- Review the impact of the agency's risk management on its control environment and insurance arrangements
- Review the agency's fraud control plan and be satisfied that the agency has appropriate processes and systems in place to capture and effectively investigate fraud related information
- Review whether a sound and effective approach has been followed in establishing the agency's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically
- Consider risks of state-wide significance to NSW Health.

### **2. 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, 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

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

### **3. External Accountability**

- Assess the policies and procedures for management review and consideration of the financial position and performance of the agency including the frequency and nature of that review (including the approach taken to addressing variances and budget risks)
- Review procedures around early close and year-end
- Review the financial statements and provide advice to the Board (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the Chief Executive
- Satisfy itself that the financial statements are supported by appropriate management signoff on the statements
- Review the Director of Finance Letter of Certification and supporting documentation (in line with NSW Treasury Policy and Guidelines Paper Certifying the Effectiveness of Internal Controls over Financial Information (TPP17-06), as applicable to NSW Health Organisations)
- Review cash management policies and procedures
- Review policies and procedures for collection, management and disbursement of grants and tied funding
- Satisfy itself that the organisation has a performance management framework that is linked to organisational objectives and outcomes.

### **4. Compliance with Applicable Laws and Regulations**

- Determine whether management has appropriately considered legal and compliance risks as part of the Organisation's risk assessment and management arrangements
- Review the effectiveness of the system for monitoring the Organisation's compliance with applicable laws and regulations, and associated government policies.

### **5. Internal Audit**

- Act as a forum for communication between the Corporations' Boards, senior management and internal and external audit
- Review and provide advice to the Boards and Chief Executives on internal audit policies and procedures
- Review the risk based audit methodology
- Review the internal audit coverage and annual work plan, ensure the plan is based on the Organisations' risk management plan, and recommend approval of the plan by the Board
- Advise the Boards 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
- Review all audit reports and provide advice to the relevant Corporations' Boards on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice
- Monitor management's implementation of internal audit recommendations
- Review the internal audit charter, at least annually, to ensure appropriate organisational structures, authority, access and reporting arrangements are in place
- Periodically review the performance of internal audit and the Chief Audit Executives
- Provide advice to the Chief Executive on whether the Chief Audit Executive should be a dedicated role

within the agency

- Provide advice to the Board and Chief Executive on the appointment or replacement of the Chief Audit Executive and, where appropriate, recommend the appointment or replacement of external internal audit service providers [in the case of an outsourced or co-sourced internal audit function].

## **6. External Audit**

- Act as a forum for communication between the Board, senior management and internal and external audit
- Provide input and feedback on the financial statements 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
- Provide advice to the Board on action taken on significant issues raised in external audit reports and better practice guides.

## **7. Responsibilities of Members**

Members of the Committee are expected to understand and observe the requirements of the NSW Health Internal Audit & Risk Management Policy. Members are also expected to:

- Make themselves available as required to attend and participate in meetings
- Contribute the time needed to study and understand the papers provided.
- Apply good analytical skills, objectivity and good judgement.
- Abide by the relevant ethical codes that apply to employment within the NSW public sector, including the NSW Health Code of Conduct
- Express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

## **8. Reporting**

The Committee will regularly, but at least once a year, provide a report to each of the Organisations' Boards 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 Organisation's progress in addressing the findings and recommendations made in internal and external reports
- An overall assessment of each Organisation's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the Organisation
- Details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended
- A summary of the Committee's assessment of the performance of internal audit.

The Committee may, at any time, report to the relevant Organisations' Board 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 Board Chair and Chief Executive.

## **9. Reporting Lines**

The Committee must at all times ensure it maintains a direct reporting line to and from internal audit and acts as a mechanism for internal audit to report to the Chief Executive on functional matters.

## **ADMINISTRATIVE ARRANGEMENTS**

### ***Meetings***

The Committee will meet concurrently at least four (4) times per year. A special meeting may be held to review the Organisations' annual financial statements. The Chair is required to call a meeting if requested to do so by the Organisations' Board, Chief Executive or another Committee member. A meeting plan, including meeting dates and agenda items, will be agreed by the Committee each year. The meeting plan will cover all of the Committee's responsibilities as detailed in this charter.

### ***Attendance at Meetings and Quorums***

A quorum will consist of a majority of independent Committee members. Meetings can be held in person, by telephone or by video conference. A Board representative, the Chief Executives 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 Director of Corporate Services, Chief Financial Officer (or functionally equivalent positions), or other employees attend Committee meetings or participate for certain agenda items.

While the Committee will meet jointly, provision will also be made on the agenda for separate sessions to discuss issues of interest or relevance at the discretion of the Chair or at the request of an Organisation's member.

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

### ***Dispute Resolution***

Members of the Committee and the Organisations' management should maintain an effective working relationship, and seek to resolve differences by way of open negotiation. However, in the event of a disagreement between the Committee and management, the Chair may, as a last resort, refer the matter to the Secretary, NSW Ministry of Health to be dealt with independently.

### ***Secretariat***

The Organisations' Boards will appoint a person or organisation to provide 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 the Committee members will provide written declarations to the Boards stating they do not have any conflicts of interest that would preclude them from being members of the Committee. 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 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 Organisations' Boards, in consultation with the Chair of the Committee, will establish a mechanism to review and report on the performance of the Committee, including the performance of the Chair and each member, at least annually. The review will be conducted on a self-assessment basis (unless otherwise determined by the Organisations' Board) with appropriate input sought from the Chief Executive, the internal and external auditors, management and any other relevant stakeholders as determined by the Corporations' Boards.

### **REVIEW OF CHARTER**

At least once a year the Committee will review this Charter. This review will include consultation with the Organisations' Boards. Any substantive changes to this Charter will be recommended by the Committee and formally approved by the Organisations' Boards.

---

#### **Reviewed by Chair:**

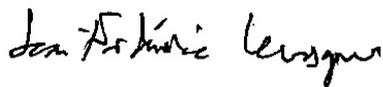


**Mr Peter Scarlett**  
**Audit and Risk Management Committee**

12 April 2019

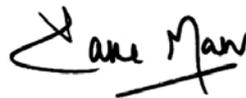
---

#### **Reviewed by the Chief Executives:**



**Dr Jean-Frederic Levesque**  
**Agency for Clinical Innovation**

13 June 2019

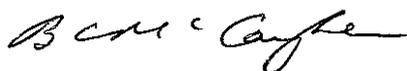


**Ms Carrie Marr**  
**Clinical Excellence Commission**

13 June 2019

---

#### **Endorsed by the Board:**



**A/Prof Brian McCaughan**  
**Board Chair**

20 June 2019