

# **AUDIT & RISK COMMITTEE CHARTER AGENCY FOR CLINICAL INNOVATION & CLINICAL EXCELLENCE COMMISSION**

## **FOREWORD**

The Agency for Clinical Innovation and the Clinical Excellence Commission (herein referred to as the Agencies) shared Audit and Risk Committee (herein referred to as the Committee) has been established by the ACI Chief Executive, and the CEC Chief Executive and the Board of the Clinical Excellence Commission (herein referred to as the Board) and plays an important role in providing oversight of the organisations' governance, risk management, compliance and control practices, as well as advice to the Board and the Chief Executive of the Agency for Clinical Innovation and the Chief Executive of the Clinical Excellence Commission (herein referred to as the Chief Executives) . The Committee also serves to provide confidence in the integrity of practices to enable achievement of the organisations' strategic objectives.

This Charter provides the framework for performance of Committee activities. The Committee has been established in compliance with the NSW Health Internal Audit Policy Directive.

## **1. OBJECTIVE**

The objective of the Committee is to provide independent assistance to the CEC Chief Executive and the CEC Board in respect of the CEC as a board governed statutory health corporation, and ACI Chief Executive in respect of the ACI as a chief executive governed statutory health corporation. The Committee will achieve its objective by monitoring, reviewing and providing advice about the respective organisation's governance processes, risk management and control frameworks, and its external accountability obligations. The Committee assists the Chief Executives to fulfil their obligations under NSW Health Internal Audit policy PD 2022\_022.

## **2. 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.

## **3. AUTHORITY**

The Boards 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)

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- request the attendance of management or any other employee at Committee meetings
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities.

The Committee has no executive powers, delegated financial responsibility or management functions.

### **4. COMMITTEE COMPOSITION**

The Committee is to have no fewer than three and no more than five members, including the Chair. The CEC Chief Executive and Board Chair, after consultation with the ACI Chief Executive, will appoint the Committee Chair and members of the Committee. All Members (including the Chair) must be independent and sourced from NSW Treasury's Prequalification Scheme: *Audit and Risk Committee Independent Chairs and Members*, on the NSW Procurement website [buy.nsw.gov.au](http://buy.nsw.gov.au). Under the Scheme, Chairs and Members may sit on up to five NSW public sector audit and risk committees at any one time, as defined in NSW Treasury Policy TPP20-08.

Except for the appointment of an entirely new Committee, the appointment of Members is only to be made after consultation with the Committee Chair. Members must possess the skills, knowledge and experience that are relevant to, and which will enhance, the Committee's operations. 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.

Prior to appointing a Chair, and prior to appointing or reappointing a Member, the organisations must conduct appropriate probity checks on the candidate. These checks may include a National Criminal Record Check and Insolvency Check.

Current employees of any NSW government sector organisation, other than State Owned Corporations, cannot serve as a Member or Chair on the Committee.

### **5. TERM OF APPOINTMENTS**

The Chair of the Committee is to be appointed for a single term only, of at least three years and not greater than five years. The term of appointment may be extended, but any extension must not cause the total term to exceed five years as the Chair. A Member who is prequalified as a Chair may be appointed as a Chair either prior, or subsequent, to a term as a Member.

The initial term for Members of the Committee must be at least three years and must not exceed five years. Members may be reappointed or extended for further terms, but the total period of Membership on the Committee must not exceed eight years (inclusive of any term as Chair of the Committee).

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### 6. ROLES AND RESPONSIBILITIES

The Committee is directly responsible and accountable to the CEC Board and the Chief Executives for the exercise of its responsibilities. It supports the Chief Executives and the CEC Board by:

- Reviewing effectiveness of governance, risk management, compliance and control.
- Reviewing the financial statements and performance reporting.
- Promoting improved economy, efficiency, effectiveness and ethical culture.
- Reviewing reliability of management information.
- Monitoring and evaluating internal audit performance.
- Reviewing effectiveness of fraud control measures.
- Monitoring compliance with laws, regulations, standards and good practice.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Chief Executives and the CEC Board from time to time. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of the organisations rests with the CEC Chief Executive and CEC Boards for the CEC and the ACI Chief Executive for the ACI.

The Committee shall have the ability to review all elements of the Organisations' governance and assurance activities.

#### 6.1. Risk management

The Committee's responsibilities include:

- review whether management has in place a current and appropriate risk management framework that is consistent with AS/NZS ISO 31000:2018 (*Risk Management – Guidelines*)
- assess and advise on the maturity of the organisation risk management framework and risk culture
- review risk management plans and reports and provide advice to the Chief Executives.
- consider the adequacy and effectiveness of internal control and risk management frameworks by reviewing reports from management, internal audit and external audit, and by monitoring management responses and actions to correct any noted deficiencies
- seek assurance from management and Internal Audit that risk management processes are operating effectively, including that relevant internal control policies and procedures are in place and that these are periodically reviewed and updated

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- review whether a sound and effective approach has been followed in developing risk management plans for significant projects, initiatives or undertakings
- review the impact of the organisation risk management on its control environment and insurance arrangements
- review the organisation fraud and corruption control framework, including the fraud control plan, and be satisfied that the organisation 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 organisation business continuity planning arrangements, including whether disaster recovery plans have been tested periodically
- consider risks of state-wide significance to NSW Health.
- consider the impacts of climate-related risks when identifying types of risks that might impact the organisation ability to achieve its objectives
- consider security risks, including physical security, cyber security and ICT security, when identifying organisation risks.

### **6.2. External accountability**

The Committee's responsibilities include:

- assess the adequacy of local procedures for management review and consideration of the financial position and performance of the organisation, including the frequency and nature of that review (including the approach taken to addressing variances and budget risks)
- review the requirements around early close and year-end
- review the financial statements and provide advice to the CEC Board and Chief Executives and recommend their signing by the CEC Board Chair and the Chief Executives
- satisfy itself that the financial statements are supported by appropriate management sign-off on the statements
- review the Director of Finance Letter of Certification and supporting documentation (in line with NSW Treasury Policy and Guidelines Paper, 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

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- review the processes in place designed to ensure that financial information provided for inclusion in the NSW Health annual report is consistent with the signed financial statements
- satisfy itself that the organisation has a performance management framework that is linked to organisational objectives and outcomes.

### **6.3. Compliance and ethics**

The Committee's responsibilities include:

- determine whether management has appropriately considered legal and compliance risks as part of the organisation risk assessment and management arrangements
- review the effectiveness of the system for monitoring the organisation compliance with applicable laws, regulations and associated government policies
- seek assurance that the appropriate exercise of delegations is monitored and reviewed
- seek assurance that changes in key laws, regulations, internal policies and applicable standards affecting the agency's operations are being monitored at least once a year, and appropriately addressed
- review the agency's process for communicating the code of conduct to staff and seek assurance as to compliance with the code
- review policies and processes for identifying, analysing and addressing complaints
- review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

### **6.4. Internal audit**

The Committee's responsibilities include:

- review and provide advice to the CEC Board and Chief Executives on the internal audit policies and procedures
- review the risk-based internal audit methodology
- review the internal audit coverage and annual work plan, ensure the plan is based on the organisation strategic objectives, risks and risk exposures, and recommend approval of the plan by the Chief Executives
- advise the CEC Board and the Chief Executives on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan
- review audit findings and related recommendations that have been assessed as the most significant according to the risk the audit findings represents to the

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organisation if the recommendation(s) related to the findings are not implemented

- provide advice to the Board and the Chief Executives on significant issues identified in audit reports and action taken on these issues, including identification and dissemination of good practice
- monitor management's implementation of internal audit recommendations
- review and endorse the internal audit charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place
- periodically review the performance of Internal Audit, with the Chair contributing to the annual performance review of the Chief Audit Executive
- provide advice to the CEC Board and the Chief Executives on the results of any external assessments of the internal audit function
- provide advice to the Chief Executives on whether the Chief Audit Executive should be a dedicated role within the organisation
- provide advice to the CEC Board and the Chief Executives on the appointment or replacement of the Chief Audit Executive and, where appropriate, recommend the appointment or replacement of internal audit service providers.

### **6.5. External audit**

The Committee's responsibilities include:

- act as a forum for communication between the CEC Board and the Chief Executives, 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
- provide advice to the CEC Board and the Chief Executives on action taken on significant issues raised in relevant 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 Policy Directive and the NSW Health Enterprise-wide Risk Management Policy Directive

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- 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 and the *NSW Treasury Prequalification Scheme – Audit and Risk Committee Independent Chairs and Members – Scheme Conditions*
- express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

### **7.1. Reporting**

The Committee will regularly, but at least once a year, report to the CEC Board and the Chief Executives on its operation and activities during the year. As a minimum, the report is to include:

- an overall assessment of the organisation risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the organisation
- a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year
- 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 organisation progress in addressing the findings and recommendations made in internal and external reports
- a summary of the Committee's assessment of the performance of internal audit

The Committee may, at any time, report to the CEC Board and the Chief Executives 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 CEC Board Chair and the Chief Executives.

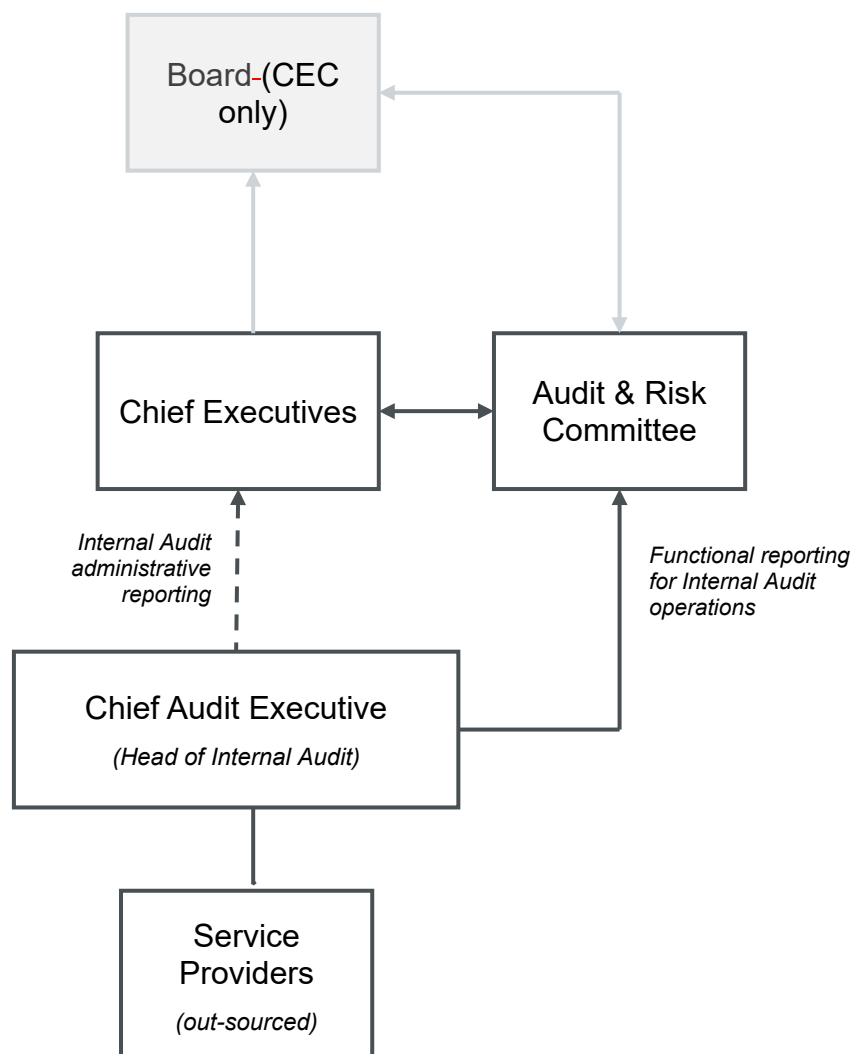
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### 7.2. Reporting Lines

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

The following reporting line is prescribed where the dotted line represents the 'administrative' reporting line, and the bold line represents the 'functional' reporting line:



The Chief Audit Executive is to have a dual reporting line that reports administratively to the Chief Executive to facilitate day-to-day operations of the Internal Audit function, and functionally to the Audit and Risk Committee for strategic direction and accountability of the Internal Audit function.



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## **8. ADMINISTRATIVE ARRANGEMENTS**

### **8.1. Meetings**

The Committee will meet at least four times per year. A special meeting may be held to review the organisation's annual financial statements. The Chair is required to call a meeting if requested to do so by the CEC Board, Chief Executives, or another Committee member.

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

All attendees are responsible and accountable for maintaining the confidentiality of the information they receive during the course of these meetings.

### **8.2. Attendance at meetings and quorums**

A quorum will consist of a majority of Committee members. Meetings can be held in person, by telephone or by video conference.

A Board member and the Chief Executives may attend the meetings of the Committee in an advisory capacity. The Chief Audit Executive, external audit representatives, and any other organisation representatives may attend Committee meetings, except where the Committee members wish to have in-camera discussions. The Committee may also request the Chief Finance Officer or other employees routinely attend Committee meetings or participate for certain agenda items.

The Committee will meet separately and in-camera with both the internal and external auditors at least once a year. The Committee may also have in-camera discussions with any other members of the organisation, if necessary.

### **8.3. Dispute Resolution**

The Chair and Members of the Committee must establish and maintain an effective working relationship with management, including senior executives, and must seek to amicably resolve differences or concerns with management by way of open negotiation.

Where a disputed matter cannot be resolved, the Chair of the Committee may make an oral or written request to the relevant Chief Executive or the CEC Board Chair. If a disputed matter cannot be resolved locally, the matter is to be referred to the Deputy Secretary, People, Culture and Governance and, if required, to the Secretary, NSW Health.

### **8.4. Secretariat**

The Chief Executives will each appoint a secretariat support service to their own Committee. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, after approval from the Chair, at least five working days before the

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meeting and ensure the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within ten working days of the meeting to each Member and Committee attendees, as appropriate.

### **8.5. Conflicts of interest**

Once a year, Members will provide written declarations to the CEC Board and the Chief Executives, via the Secretariat, 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 an actual, or perceived, conflict of interest, the Chair (or a quorum of the Committee if the conflict of interest arises from the Chair) shall excuse them from Committee deliberations on the issue where a conflict of interest exists.

A register of interests will be maintained for the Committee Chair and Members to demonstrate transparency and as a safeguard against conflict of interest.

### **8.6. Induction**

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

### **8.7. Assessment arrangements**

The CEC Board Chair, and the Chief Executives, 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 Chief Executives and the CEC Board Chair) with appropriate input from the Chief Executives and the CEC Board Chair, the internal and external auditors, management and any other relevant stakeholders, as determined by the CEC Board Chair and the Chief Executives.

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### 9. REVIEW OF CHARTER

At least annually, the Committee will review this Charter. This review will include consultation with the CEC Board and the Chief Executives. Any substantive changes to this Charter must be consistent with the NSW Health Internal Audit Policy Directive, recommended by the Committee and formally approved by the ACI Chief Executive, the CEC Chief Executive, and the CEC Board.

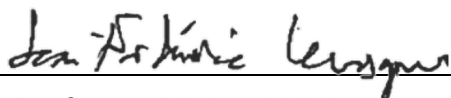
Mr Ian Gillespie  
Chair of Audit and Risk Committee



26/06/2023

Date: \_\_\_\_\_

Dr Jean-Frederic Levesque,  
Agency for Clinical Innovation



Date: 29/06/2023

Professor Michael Nicholl  
Clinical Excellence Commission



Date: 28/06/2023

Professor Andrew Wilson  
CEC Board Chair



Date: 28/06/2023