



NDIS Quality
and Safeguards
Commission

Audit and Risk Committee Charter



August 2022



Legislative Mandate

The NDIS Quality and Safeguards Commissioner has duly established the Audit and Risk Committee in accordance with:

- **Section 45** of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

Section 45—Audit committee for Commonwealth entities

- (1) The accountable authority of a Commonwealth entity must ensure that the entity has an audit committee.
- (2) The committee must be constituted, and perform functions, in accordance with any requirements prescribed by the rules.

- **Section 17** of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) which deals specifically with the functions and membership of Audit Committees for Commonwealth Entities.

This section is made for subsection 45(2) of the Act.

Functions of the audit committee

- (1) The accountable authority of a Commonwealth entity must, by written charter, determine the functions of the audit committee that is established for the entity as required by subsection 45(1) of the Act.
- (2) The functions must include reviewing the appropriateness of the accountable authority's:
 - (a) financial reporting; and
 - (b) performance reporting; and
 - (c) system of risk oversight and management; and
 - (d) system of internal control; for the entity.

Membership of the audit committee

- (3) The audit committee must consist of at least 3 persons who have appropriate qualifications, knowledge, skills or experience to assist the committee to perform its functions.
- (4) If the entity is a non-corporate Commonwealth entity:
 - (a) all of the members of the audit committee must be persons who are not officials of the entity; and
 - (b) a majority of the members must be persons who are not officials of any Commonwealth entity.

The Key Functions of an Audit Committee are also to be considered in accordance with the guidance provided by the Department of Finance's Resource Management Guide (RMG) 202 - ***A guide for non-corporate Commonwealth entities on the role of audit committees.***

This **Audit and Risk Committee Charter** (refer following) duly constitutes the **Audit and Risk Committee** (Committee) of the **NDIS Quality and Safeguards Commission** (NDIS Commission) and provides the framework for the performance of the Committee's functions in accordance with the *PGPA Act*, *PGPA Rules* and the guidance provided in *RMG 202*.

Approval of the Charter

Approved:

Tracy Mackey, NDIS Quality and Safeguards Commissioner

9 August 2022

Audit and Risk Committee Charter

Introduction

The Audit and Risk Committee (Committee) plays an important role in providing oversight of the NDIS Quality and Safeguards Commission (NDIS Commission) governance, risk management, compliance and control practices. The Committee also serves to provide confidence in the integrity of practices to enable achievement of the NDIS Commission's strategic objectives.

This charter provides the framework for performance of Committee activities.

Purpose

The purpose of the Committee is to provide structured systematic oversight of governance, risk management, compliance and control practices across the NDIS Commission. This applies to financial and non-financial operations. The Committee assists the NDIS Quality and Safeguards Commissioner by providing advice and guidance on the adequacy of governance and assurance.

Committee success is achieved when the organisation is recognised as having a 'best in class' governance and assurance environment, taking into account the size, composition and risk environment of the entity.

Functions

The key functions of the Committee will include reviewing the appropriateness of the NDIS Commission's:

- Financial reporting;
- Performance reporting;
- System of risk oversight and management; and
- System of internal control.

Financial Reporting

Expected Areas of Consideration

In providing advice on the appropriateness of the accountable authority's Financial Reporting arrangements the Committee considers the:

- Annual financial statements;
- Processes and systems for preparing financial reporting information;
- Financial record keeping; and

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- 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.

Expected Deliverable

The Committee is to provide annually a **statement of advice** to the accountable authority stating whether:

- In the Committee's view, the annual financial statements comply with the *PGPA Act*, *PGPA Rules*, the Accounting Standards and supporting guidance.
- Additional entity information supplied by the entity, required by the Department of Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package) also complies with the *PGPA Act*, *PGPA Rules*, the Accounting Standards and supporting guidance.
- The entity's financial reporting as a whole is appropriate (that is, fit for purpose), with reference to any specific areas of concern or suggestions for improvement.

Performance Reporting

Expected Areas of Consideration

In providing advice on the appropriateness of the accountable authority's Performance Reporting arrangements, the Committee considers whether the:

- NDIS Commission's Portfolio Budget Statements (PBS) and Corporate Plan (CP) contain appropriate details of how the NDIS Commission's performance will be measured and assessed.
- Systems and procedures for assessing, monitoring and reporting on achievement of the NDIS Commission's performance in the Annual Performance Statement (APS) are fit for purpose, including the approach to measuring performance throughout the financial year against the performance measures included in the PBS and CP.
- Contents of the three prime performance documents (PBS, CP & APS) comply with the requirements of the relevant sections of the *PGPA Act* and *PGPA Rules*.
- NDIS Commission has appropriate risk, control, assurance and certification processes in place for the timely completion and quality certification of its APS, including its inclusion in the Annual Report.

Expected Deliverable

The Committee is to provide annually a **statement of advice** to the accountable authority stating:

- Whether in the Committee's view, the Annual Performance Statement complies with the relevant sections of the *PGPA Act* and *PGPA Rules* and supporting guidance.
- Whether the NDIS Commission's performance arrangements as a whole are appropriate (that is, fit for purpose) with reference to any specific areas of concern or suggestions for improvement.

System of risk oversight and management

Expected Areas of Consideration

In providing advice on the appropriateness of the accountable authority's System of Risk Oversight and Management arrangements the Committee considers the:

- Extent to which the enterprise risk management policy framework and the necessary internal controls in place for the effective identification and management of risks, are in keeping with the Commonwealth Risk Management Policy for Non-Corporate Entities (NCE).
- Approach(es) deployed in managing the NDIS Commission's key risks—including those associated with individual projects and program implementation and activities.
- Process for developing and implementing the NDIS Commission's fraud control arrangements for detecting, capturing and effectively responding to fraud risk and whether it is appropriate and consistent with the Commonwealth Fraud Control Framework.

Expected Deliverable:

The Committee is to provide annually a **statement of advice** to the accountable authority stating whether in their view, the accountable authority's system of risk oversight and management as a whole is appropriate and any specific areas of concern or suggestions for improvement – having regard to the Commonwealth Risk Management Policy for NCEs.

System of internal control

Expected Areas of Consideration

In providing advice on the appropriateness of the accountable authority's System of Internal Control arrangements the Committee should consider:

- The internal control framework (including the NDIS Commission's maintenance of an effective framework, appropriateness of processes for compliance with the framework and whether the NDIS Commission has in place relevant policies and procedures, including but not limited to Accountable Authority Instructions, Delegations, business continuity management and disaster recovery plans, or wellbeing policies).
- Legislative and Policy Compliance (reviewing the NDIS Commission's approach to monitoring compliance with laws, regulations, internal or external policies, including whether legal and compliance risks have been adequately considered as part of the enterprise risk management framework).
- Security compliance (reviewing the NDIS Commission's approach to maintaining an effective internal security system, including complying with the Protective Security Policy Framework (PSPF)).
- Internal audit coverage and recommendation oversight (such that, in conjunction with Management Assurance arrangements, all significant (key and / or material) activities of the NDIS Commission are subject to adequate levels of assurance coverage over the medium term).

Expected Deliverable

The Committee is to provide annually a **statement of advice** to the accountable authority indicating whether the accountable authority's system of internal control is appropriate for the NDIS Commission, with reference to any specific areas of concern or suggestions for improvement.

Other Functions

Periodically, but at least annually, the Committee should consider:

- **Ethical and lawful conduct**

The Committee should assess whether the accountable authority has taken steps to embed a culture that promotes the proper use and management of public resources and is committed to ethical and lawful conduct.

- **Parliamentary committee reports, external reviews and evaluations**

The Committee should satisfy itself the NDIS Commission has appropriate mechanisms for reviewing relevant parliamentary committee reports, external reviews and evaluations of the entity and implementing, where appropriate, any resultant recommendations.

Engagement with stakeholders

In undertaking its functions, the Committee will engage with the Australian National Audit Office (ANAO), as the NDIS Commission's external auditor.

The Committee is assisted by the Internal Audit function. The Chief Internal Auditor prepares a flexible risk-based audit and assurance plan for endorsement by the Committee and approval by the NDIS Quality and Safeguards Commissioner.

The Committee will exercise a governance role in relation to the work of the Internal Audit function.

The Committee will indicate to the NDIS Quality and Safeguards Commissioner which matters it plans to consider in conducting the Committee's functions for the year – by way of an Annual Work Plan.

Authority

The authority of the Committee to perform its role is established by way of this charter.

In discharging its responsibilities, the Committee shall have:

- No executive powers, delegated financial responsibility or management functions.
- Unrestricted access to management, employees and relevant information it considers necessary to effectively discharge its duties.
- Unrestricted access to records, data and reports, subject to any legal information protection or privacy requirements.
- Authority to discuss any matters with the external auditor or other external parties, subject to confidentiality considerations.

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- The right to request attendance of management at Committee meetings.
 - The right to obtain external legal or other professional advice, subject to prior approval of the NDIS Quality and Safeguards Commissioner.

The Committee may engage independent advisers to assist with its duties if agreed by the NDIS Quality and Safeguards Commissioner.

Committee Composition

The Committee is comprised of an independent Chair external to the organisation and a minimum of two additional independent members.

The Chair and members are appointed by the NDIS Quality and Safeguards Commissioner as voting members.

The Committee is supported by non-voting advisers / observers comprising the Chief Financial Officer, Chief Information Officer, General Counsel, Chief Risk Officer, Chief Internal Auditor, other management representatives, and a representative from the ANAO.

The NDIS Quality and Safeguards Commissioner may attend Committee meetings as an observer and to contribute insights to assist Committee deliberations.

The Chair may invite visitors to meetings as necessary to address matters on the agenda.

The Committee is a skill-based governance committee. Members should collectively possess sufficient knowledge of governance, assurance, audit, finance, information technology, legislation, risk management, compliance and control plus any special attributes relevant to the NDIS Commission and its industry. Members of the Committee should have senior management experience in a relevant environment.

As the responsibilities of the Committee evolve in response to regulatory, economic and reporting developments, member competencies and the overall balance of skills on the Committee will be periodically evaluated to respond to emerging needs.

Terms of Appointment

Committee appointments will be made by the NDIS Quality and Safeguards Commissioner.

The Chair will be appointed for an initial term of three years.

Member appointments will ordinarily be for an initial term of three years, with appointments staggered to enable continuity of knowledge. Committee membership constitutes a personal and specific appointment – as such proxies are not permitted.

The Chair and members will be eligible for reappointment by the NDIS Quality and Safeguards Commissioner for successive terms of two years, subject to satisfactory performance. Maximum total period of service terms for the Chair and members will ordinarily be set at five years, unless otherwise determined by the NDIS Quality and Safeguards Commissioner.

The NDIS Quality and Safeguards Commissioner may appoint one member to be deputy chair of the Committee.

Quorum

The quorum for the Committee will be a majority of voting members at the relevant time.

Operational Principles

Committee values

The Committee members will conduct themselves in accordance with the NDIS Commission Code of Conduct.

Communications

All communication with management and staff, as well as with any advisers, will be direct, open and complete. The Chair will be the Committee link to the NDIS Quality and Safeguards Commissioner.

It is important for the Committee Chair and members to develop, establish and maintain an effective working relationship with the NDIS Quality and Safeguards Commissioner and executive management.

Any concerns or differences should be resolved by way of open negotiation, with the final arbiter being the NDIS Quality and Safeguards Commissioner.

Induction

New Committee members will receive information and briefings on the work of the Committee to assist them meet their responsibilities. Inductions for new Committee members will be arranged by the secretariat.

Preparation and attendance

Committee members have an obligation to prepare for and actively participate in Committee meetings. This requires members to contribute the time needed to study and understand the papers provided for meetings. Members are expected to apply good analytical skills, objectivity and judgment, express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.

Conflict of interest

It is the responsibility of a Committee member to disclose any actual, potential or perceived conflict of interest to the Chair who will decide whether a Committee member be excused from Committee deliberations for a particular matter. If necessary, the final arbiter will be the NDIS Quality and Safeguards Commissioner. A register of interests will be maintained for the Audit Committee Chair and members to demonstrate transparency and as a safeguard against conflict of interest.

Operational Procedures

Meetings

The Committee will meet at least four times each financial year and more frequently if the Chair and the NDIS Quality and Safeguards Commissioner deem it necessary. A special meeting may be convened to review the financial statements and external audit management letter and opinion.

Meetings may be held in person, by teleconference or by videoconference.

Committee annual work plan

A forward work plan including meeting dates and agenda items will be agreed by the Committee at the beginning of each year.

In camera sessions

The Committee will meet privately at least twice each financial year on their own or with the Chief Internal Auditor and Chief Risk Officer. The external auditor may request to meet privately with the Committee.

Secretariat services

The Corporate Services Executive Officer provides secretariat services for the Committee.

E-mail: COO@ndiscommission.gov.au

Committee Reporting

The Committee through the Chair reports directly to the NDIS Quality and Safeguards Commissioner.

The Committee must ensure it maintains a direct functional reporting line for the Chief Internal Auditor.

The Chair will meet with the NDIS Quality and Safeguards Commissioner on Committee outcomes after each meeting or as otherwise agreed.

The Committee (or any individual member) may at any time, report to the NDIS Quality and Safeguards Commissioner any matters it deems of sufficient importance to do so.

The Committee will provide the NDIS Quality and Safeguards Commissioner with an annual report at the conclusion of each financial year on its operations, activities, outcomes and achievements, together with focus areas for the coming financial year. The report will be based around the four key functional statements of advice prepared annually for the NDIS Quality and Safeguards Commissioner.

Evaluation of Performance

The Committee will conduct an annual assessment of its operations and report to the NDIS Quality and Safeguards Commissioner on any aspect that warrants action. The assessment might include input from the NDIS Quality and Safeguards Commissioner, Committee members, senior management, and other relevant stakeholders.

The Committee will review this charter at least once a year and submit any substantial recommended changes to the NDIS Quality and Safeguards Commissioner for approval.