

National Mental Health Commission

Audit and Risk Committee Charter



Australian Government

National Mental Health Commission

The National Mental Health Commission (the Commission) is a non-corporate Commonwealth Entity established in 2012 under the *Public Service Act 1999*. The Chief Executive Officer (CEO) is the Accountable Authority under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the members of the Advisory Board and staff are Officials of the entity.

The CEO has established an Audit and Risk Committee in compliance with subsection 45(1) of the PGPA Act and determined the functions of the entity's audit committee in compliance with the PGPA Rule subsection 17(1) – Audit committee for Commonwealth entities.

1. Role

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

The Audit and Risk Committee (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 CEO.

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 Commission 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, 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 CEO.

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

Authority

The CEO authorises the Audit and Risk Committee, in accordance with its role and responsibilities, to:

- obtain any information it requires from any official or external party (subject to any legal obligation to protect information)
- discuss any matters with the ANAO, or other external parties (subject to confidentiality considerations)
- request the attendance of any official, including the CEO, at committee meetings, and
- obtain legal or other professional advice, as considered necessary to fulfil its role, at the Commission's expense, subject to approval by the CEO, or delegate.

2. Membership

The Audit and Risk Committee comprises three members, appointed by the CEO.

The CEO will appoint the Chair of the Committee.

The Committee is authorised to appoint a Deputy Chair who will act as chair in the absence of the Chair.

The CEO, Chief Financial Officer and Chief Operating Officer may attend meetings as advisers or observers, as determined by the Chair, but will not be members of the Committee.

A representative(s) of the ANAO will be invited to attend meetings of the Committee, as an observer.

Committee members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Commission. 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 determined by the CEO. Members may be re-appointed after a formal review of their performance, for further periods as specified by the CEO.

3. Functions^[1]

Financial reporting

The following responsibilities will be undertaken by the Audit and Risk Committee:

1. Review the financial statements and provide written advice to the CEO (including recommending their signing by the CEO and CFO). In particular, the Committee will review:
 - a) the Commission's compliance with accounting standards, PGPA Act and PGPA Rules.
 - b) the appropriateness of accounting policies and disclosures, including any significant changes to accounting policies
 - c) areas of significant judgement and financial statement balances that require estimation
 - d) significant or unusual transactions
 - e) sign-off by the Commission's management in relation to the quality of the financial statements, internal controls and compliance
 - f) the auditor's advice about the adequacy of the Commission's accounting policies and the quality of the Commission's processes for the preparation of the Commission's financial statements, through discussions with the ANAO
 - g) whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures, and
 - h) the appropriateness of the entity's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

¹ PGPA Act Rule 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. As such these functions are mandatory.

2. Act as a forum for communication between the Commission's management and the ANAO.
3. Review the processes in place designed to ensure that financial information included in the Commission's annual report is consistent with the signed financial statements.
4. Review and provide advice on the appropriateness of the Commission's information requested by the Department of Finance in preparing the Australian Government's consolidated financial statements, including the supplementary reporting package.

Performance reporting

The following responsibilities will be undertaken by the Audit and Risk Committee:

1. Review the Commission's systems and procedures for assessing and reporting the achievement of the Commission's performance. In particular, the Committee will satisfy itself that:
 - a) the Commission's Portfolio Budget Statements and Corporate Plan include details of how the entity's performance will be measured and assessed
 - b) the Commission's approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and Corporate Plan is appropriate, and has taken into account performance frameworks issued by the Department of Finance
 - c) the Commission has appropriate processes in place for the preparation of its annual Performance Statement and the inclusion of the Statement in its annual report, and
 - d) the Commission's proposed Performance Statement is not inconsistent with the Commission's financial information, including its annual financial statements, which it proposes to include in its annual report.
2. Review the annual Performance Statement and provide the written advice to the CEO on its appropriateness to the Commission.

Systems of risk oversight and management

The following responsibilities will be undertaken by the Audit and Risk Committee:

1. Review whether management has in place a current and appropriate enterprise risk management framework and associated internal controls for effective identification and management of the Commission's business and financial risks, including fraud.
2. Review and provide a written advice on the appropriateness of Commission's approach to managing key risks – including those associated with individual projects and program implementation and activities.
3. Review the process of developing and implementing the Commission's fraud control arrangements and satisfy itself that the Commission has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks.
4. 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 Commission.
5. Annual review of an entity-wide assurance map that identifies the Commission's key assurance arrangements.

System of internal control

Internal control framework

- Review management's approach to maintaining an effective internal control framework; this framework should include controls in relation to functions performed by external parties such as contractors and advisers.
- Review whether management has in place relevant policies and procedures, including Accountable Authority Instructions, and that these are periodically reviewed and updated.
- Satisfy itself that appropriate processes are in place to assess whether key policies and procedures are complied with.
- Satisfy itself that management periodically assesses the adequacy of information security arrangements, including complying with entity reporting obligations.

Legislative and policy compliance

- Review the effectiveness of systems for monitoring compliance with laws, regulations and associated government policies with which the Commission must comply.
- Review, where relevant, the Commission's compliance with International Conventions, particularly the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.
- Determine whether management has appropriately considered legal and compliance risks as part of the Commission's enterprise risk management plan.
- Provide written advice to the CEO regarding the issue of the Commission's annual Compliance Report.
- Advise the Commission on the effectiveness of the control frameworks around the specific financial management activities, ensuring compliance with relevant Commonwealth regulations or guidance. Identify if there is any significant breach of compliance and report to the Minister.

Security compliance

- Reviewing management's approach to maintain an effective internal security system (including complying with the Protective Security Policy Framework).

Internal audit coverage

- Review the proposed internal audit coverage, ensure the coverage takes into account the Commission's key risks, and recommend approval of the Internal Audit Work Plan by the CEO or COO/CFO.
- Review all audit reports and provide written 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.
- Obtain an annual report from the outsourced internal audit service provider, on the overall state of the Commission's internal controls.

Business continuity management

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

Delegations

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

Ethical and lawful conduct

- Assess whether management 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.
- In addition to the four mandatory functions referred to above, the CEO may decide the Committee should undertake some or all of the following responsibilities.

Other functions

Administration of the internal audit function

- Advise the CEO on the adequacy of internal audit resources, or budget, to carry out its responsibilities, including completion of the approved Internal Audit Work Plan.
- Coordinate, to the extent possible, the work programs of internal audit and other assurance or review functions.
- Monitor management's implementation of internal audit recommendations.
- Periodically review the Internal Audit Charter to ensure appropriate authority, access and reporting arrangements are in place.
- Obtain an annual report from the Head of Internal Audit or the internal audit service provider on the overall state of the Commission's internal controls.
- Periodically review the performance of internal audit, and report the results to the CEO.
- Provide advice to the CEO on the appointment of the Head of Internal Audit (in the case of an in-house internal audit function) or recommend to the CEO the appointment of the internal audit service provider where the internal audit function is outsourced or co-sourced.
- Periodically meet privately with the Head of Internal Audit.

Governance arrangements

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

Parliamentary committee reports, external reviews and evaluations

- Satisfy itself that the Commission has appropriate mechanisms in place to review relevant parliamentary committee reports, external reviews and evaluations of the Commission and implement, where appropriate, any recommendations arising.

Other

- Undertake other activities related to its responsibilities as requested by the CEO.

Engagement with the ANAO

- In undertaking its role, the Committee will engage with the ANAO, as the Commission'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 written advice to the CEO on action to be taken on significant issues raised in relevant ANAO reports.
 - meet privately with the ANAO at least once per year without the Commission's management present.

4. Working Conventions

Annual Work Plan

The Audit and Risk 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 CEO on its operation and activities during the year and confirm to the CEO that all functions outlined in this Charter have been satisfactorily addressed.

The Committee may, at any time, report to the CEO 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 CEO.

Administrative arrangements

- Meetings

The Committee will meet at least three times per year. One or more special meetings may be held to review the Commission'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 CEO, 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 a majority of Committee members. Where there is more than one external member on the Committee, a quorum will include at least one external member. The quorum must be in place at all times during the meeting.

- Secretariat

The CEO, 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; and ensure the minutes of the meetings are prepared and maintained. Minutes must be reviewed by the Chair and circulated in a timely manner 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 CEO 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 CEO, 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 CEO 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 CEO, will undertake a review of the performance of the Audit and Risk Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the CEO) with appropriate input sought from the CEO, Committee members, senior management, internal audit, the ANAO, and any other relevant stakeholders, as determined by the CEO.

If requested, the Chair will provide advice to the CEO on an external member's performance where an extension of the member's tenure is being considered.

Review of charter

At least once a year the committee will review this charter. This review will include consultation with the CEO. Any substantive changes to the charter will be recommended by the Committee and formally approved by the CEO.

Approved by:

A handwritten signature in black ink, appearing to read 'C Morgan', written in a cursive style.

Christine Morgan
Chief Executive Officer
Commissioner

July 2020