

Finance, Audit and Risk Management Committee Charter

November 2021

1. Introduction

- 1.1 This charter has been adopted by the Agency Management Committee (the Board) to set out the role of the Finance, Audit and Risk Management Committee (the Committee). Given the functions of the Agency Management Committee it is referred to as 'the Board' throughout the remainder of the charter.
- 1.2 The Committee's function is to provide oversight of risk at the Scheme-wide level and to provide advice to the Board on the effectiveness of the corporate assurance framework and risk management, financial strategy and sustainability, and internal audit functions and to provide oversight of the external audit process.
- 1.3 The Committee has no delegated power from the Board. The Board may, from time to time, authorise the committee to undertake certain functions on behalf of, and in the name of, the Board if the power or function is of an administrative necessity and is routine in nature. Any authorisation must be made in writing by the Board. The Board cannot delegate to a committee a power or function that is stated in the National Law to be a power or function of the Board.
- 1.4 This Charter has effect from the date nominated by the Board until it is subsequently amended and approved by the Board.
- 1.5 The remit of the Committee takes into consideration the activities of the People and Remuneration Committee and the Regulatory Performance Committee.

2. Purpose

- 2.1 The Board has established the Committee to provide assurance, advice and recommendations on the following areas:
 - a. The appropriateness of the financial strategy to ensure the financial sustainability of Ahpra and the National Boards, taking into account the Health Practitioner Regulation National Law as in force in each state and territory (the National Law) and relevant policy directions of Ministerial Council.
 - b. The adequacy and effectiveness of the approach to corporate assurance, encompassing the processes of governance, risk management, compliance and the internal control environment to ensure the processes operate as intended and are in line with leading practice.
 - c. Risk management activities, including making recommendations to improve the three lines of defence framework and to bring any issues to the Board's attention. The committee will work closely with Ahpra management to ensure that the Board receives adequate reporting on the Scheme's risks.
 - d. The adequacy and effectiveness of internal processes and controls for ensuring compliance with statutory and regulatory requirements, codes of conduct and reasonable community expectations.
 - e. The adoption of an annual and strategic audit internal plan and any significant issues that arise out of internal audit activities.
 - f. The annual financial statements for recommendation to the Board.
 - g. Major scheme-wide projects being undertaken by Ahpra.
- 2.2 The Committee must follow a lawful direction given to it by the Board, and those directions override all provisions of this Charter.
- 2.3 The Committee will:

Financial strategy and sustainability

- a. review and report to the Board on the appropriateness of the financial strategy, taking into account the National Law and relevant policy and directions issued by Ministerial Council
- b. advise on any risks and policy parameters for the financial sustainability of NRAS entities, including key performance indicators and financial parameters, five-year financial plans, fees strategies, investment strategy and equity holdings strategy
- c. consider the development of budgets within a strategic setting informed by activity-based costing
- d. advise the Board of risks to the financial performance and sustainability of the Scheme (including if concerns arise about the robustness of methodology underpinning the financial arrangements for co-regulatory authorities, or if the models for coregulation under the national scheme are reviewed) and recommend risk treatments
- e. review and endorse the Ahpra operating and capital expenditure budget to the Board for approval
- f. review and endorse National Board budgets and annual fees for AManC agreement in accordance with the Health Professions Agreement framework.

External audit

- a. act as a point of contact for the external auditors on matters of concern to the external auditors
- b. review relevant correspondence from the external auditors at the conclusion of the external audit and consider the adequacy of management responses
- c. inform the Board of any unresolved concerns relating to the external audit in a timely manner
- d. make recommendations to the Board on the adoption of the annual accounts
- e. provide a report to the Board on the external audit process and opinion including any qualifications
- f. review the performance of the external auditors on an annual basis and report the findings to the Board.

Internal audit

- a. review the performance of the internal audit function and the internal auditors on annual basis and advise the Board and the CEO on its effectiveness
- b. ensure that appropriate arrangements are in place for conducting independent, external assessments of the internal audit function at least once every five years
- c. act as a point of contact for the internal auditors to raise any areas of concern discovered through the internal audit activities
- d. inform the Board of any unresolved concerns arising from an internal audit in a timely manner
- e. recommend to the Board special reviews or additional audits arising out of any significant matters that have come to the attention of the Committee and, if approved, provide oversight of those reviews or audits
- f. review, recommend and monitor health, safety and wellbeing internal audits.

Corporate assurance framework and risk management

- a. provide advice and report to the Board on the adequacy and effectiveness of the corporate assurance framework and risk management, including information security and governance
- b. review enterprise risks on an annual basis to ensure that risks are categorised appropriately and that appropriate measures have been put in place to manage those risks and recommend the enterprise risks to the Board
- c. identify and advise the Board on emerging or untreated enterprise risk and proposed treatments, including clear accountabilities for the management of risk
- d. review and apprise the Board of arrangements for business continuity and disaster recovery and periodic testing
- e. review and recommend to the Board Delegations of Authority on an annual basis
- f. review and recommend to the Board policies and processes for ensuring ethical and lawful conduct, including the policies and procedures by which staff or the public may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters
- g. review the processes for development and implementation of fraud control arrangements for Ahpra and the National Boards, including assurance that appropriate processes and systems are in place to detect, capture and effectively respond to fraud risks

- h. provide assurance to the Board that satisfactory management action has been taken for any instance discovered, or affecting Ahpra, of fraud or financial misdemeanour
- i. monitor and review the adequacy and effectiveness of Ahpra's policies and practices in complying with laws, regulations, and accounting standards
- j. review related party transactions
- k. review insurance coverage and provide assurance to the Board on the appropriateness of coverage in place.

2.4 The Committee Chair will meet with the Chair of the Regulatory Performance Committee (RPC) annually prior to the strategic internal audit plan being finalised to develop a shared understanding of the planned audits for the year and enable feedback to be provided on any systemic issues arising from second line reviews considered by the RPC. The RPC will also have an opportunity to comment on any terms of reference for proposed internal audits of regulatory operations.

2.5 The Committee Chair will meet with the Chair of the People and Remuneration Committee (PARC) and the Chair of the Regulatory Performance Committee (RPC) annually to develop a shared understanding of any planned audits that arise out of the matters which are within the purview of PARC and the RPC.

3. PARC and the RPC will have the opportunity to comment on the scope and findings of any internal audits that are relevant to their respective Charters. Members of the Committee

3.1 Members of the Committee are appointed by the Board for a term not exceeding three years. Members may be re-appointed for two additional terms.

3.2 The Committee's membership will consist of up to seven members including, at least:

- a. one member who is a chartered accountant with audit experience
- b. up to three members of the Board, and
- c. three members of National Boards.

The external auditor and internal auditor attend Committee meetings through a standing invitation of the Chair.

3.3 The Chair is appointed by the Board and must be a member of the Board.

3.4 Secretariat and professional support will be provided by Ahpra.

3.5 The Board will consider the range and mix of skills necessary to enable the Committee to fulfil its function. The Board recognises the following skills as important for the success of the Committee and will look to make sure the Committee's membership reflects these competencies:

- a. A sound understanding National Registration and Accreditation Scheme governance and the core functions of Ahpra
- b. Financial literacy and commercial acumen
- c. Management of internal audit programs and external auditors
- d. Experience and competence in advising on the treatment of enterprise risk
- e. A sound understanding of IM&IT enterprise strategy and risk.

3.6 The Board can fill a casual vacancy in the Committee and must ensure that the Committee has a Chair at all times.

4. Meetings of the Committee

4.1 The Committee will hold *at least* four scheduled meetings per calendar year, with a dedicated meeting for the budget and financial statements.

4.2 In addition to the scheduled meetings, a meeting of the Committee must be held if requested by either:

- a. the Chair of the Committee
- b. the Board
- c. two Committee members, or
- d. the CEO of Ahpra.

- 4.3** Four members of the Committee, two of whom must also be members of the Board, are required for a quorum.
- 4.4** To ensure the independence of the Committee from management and the capacity to obtain a full appreciation of complex issues, the Committee is authorised to seek independent professional advice within the Internal Audit budget. If there are insufficient funds within the Internal Audit budget, the Committee should make a request to the Board for additional funds in order for it to obtain the advice that it considers necessary to fulfil its objectives.
- 4.5** The Committee may request, where it is reasonable to do so in order to fulfil its responsibilities, the provision of:
- a. any information or advice in the possession of Ahpra
 - b. the attendance of any member of Ahpra staff at a Committee meeting.

5. Reporting to the Board

- 5.1** The Committee must submit the minutes of each meeting to the next possible meeting of the Board and the Chair will provide a verbal update after each meeting.
- 5.2** The Committee will produce a report annually of its activities for consideration by the Board and circulation to National Boards and publication on the Ahpra website. This report will be provided to members at the November FARMC meeting.
- 5.3** The Committee will undertake an annual review of its effectiveness.
- 5.4** The Committee must also provide any reports requested of it by the Board.

6. Accountability and review

- 6.1** The Board will review this charter annually.

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