

AUDIT AND RISK MANAGEMENT COMMITTEE

Charter

1. PREAMBLE

The Hearing Australia Board of Directors (**Board**) has established the Audit and Risk Management Committee (**Committee**) under section 33 of the *Australian Hearing Services Act 1991* (the **AHS Act**) in compliance with section 45¹ of the *Public Governance, Performance and Accountability Act 2013* (Cth) (**PGPA Act**) and section 17² of the *Public Governance, Performance and Accountability Rule 2014* (the **Rule**). The Board is the accountable authority of Hearing Australia.

This Charter sets out the Committee's purpose, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

2. PURPOSE

The objective and purpose of the Committee is to assist the Board to discharge its responsibilities under the AHS Act and the PGPA Act in respect of financial reporting, performance reporting, risk oversight and management, the control and management of fraud and corruption, internal controls, and compliance with relevant laws and policies.

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 responsibilities and formulating its advice to the Board.

¹ 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.

² The Rule, section 17 states (amongst other things) that the functions of the 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. Hearing Australia's accountable authority is the Board.

3. AUTHORITY

All decisions of the Committee shall be referred to the Board for approval, other than:

- (a) approval of the Internal Audit Charter, Internal Audit Plan
- (b) the appointment, replacement or dismissal of the outsourced internal audit service provider
- (c) the Risk Management Framework; and
- (d) an entity-wide assurance map

which do not require the approval of the Board.

4. COMPOSITION, TENURE AND SKILLS

4.1 COMPOSITION

The Board is responsible for the appointment of Committee members. The Committee will consist of at least three and not more than five members and is to be constituted wholly by Directors or partly by Directors and partly by other persons³.

The Chair of the Committee will be appointed by the Chairperson of the Board and must be a Director⁴. The Committee is authorised to appoint a Deputy Chair who will act as chair in the absence of the Chair. The composition of the Committee must⁵:

- (a) consist of at least three non-executive Directors of Hearing Australia
- (b) may include an external person appointed by the Chair of the Committee who has specific expertise relevant to the Committee's role; and
- (c) not include the Chairperson of the Board, the Managing Director or Chief Financial Officer of Hearing Australia.

The Chairperson of the Board and other Board members may attend Committee meetings, and when they elect to do so, receive copies of Committee papers.

Management representatives may attend meetings as advisers or observers, as determined by the Chair.

4.2 TENURE AND REVIEW

Membership of the Committee will be reviewed at least every two years by the Board with the aim of ensuring an appropriate balance between continuity of membership, the contribution of fresh perspectives and a suitable mix of qualifications, knowledge, skills and experience.

Members will be appointed for an initial period not exceeding three years after which they will be eligible for extension or re-appointment, after a formal review of their performance.

The Board may remove or replace a member of the Committee at its sole discretion.

³ AHS Act, section 34(1).

⁴ AHS Act, section 34(2).

⁵ The Rule, section 17.

If a member of the Committee who is a Director ceases to be a Director, that member automatically ceases to be a member of the Committee.

4.3 TRAINING

The Committee will maintain a program of training and awareness-raising for its members, with the objective of enabling the Committee to keep abreast of contemporary developments and leading practices in relation to its functions.

4.4 APPROPRIATE QUALIFICATIONS, KNOWLEDGE, SKILLS

The Committee must consist of at least three persons who have appropriate qualifications, knowledge, skills or experience to assist the Committee to perform its functions. Committee members should be financially literate (able to read financial statements).

At least one member of the Committee should have accounting or related financial management experience and/or qualifications, and a comprehensive understanding of Australian accounting and auditing standards.

Collectively, the Committee should possess broad business, financial management and/or public sector experience and general knowledge of most of the areas as listed below:

- ▶ the hearing industry
- ▶ risk identification, evaluation and management
- ▶ information management and organisational security arrangements
- ▶ the operations of government and the public sector, including information technology systems and controls
- ▶ the role of external and internal audit
- ▶ the application of accounting, auditing and assurance standards
- ▶ relevant legislative and other policy requirements of Hearing Australia
- ▶ public sector reporting requirements, including financial and performance reporting, and
- ▶ internal control, compliance and fraud control.

5. ROLES AND RESPONSIBILITIES

The Committee has no executive powers, unless such powers are delegated to it by the Board.

The Committee is directly responsible and accountable to the 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 Hearing Australia rests with the Managing Director under the authority of the Board.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Board from time to time.

The current Board delegated powers, within the scope of the Committee's role and responsibility, include to:

- ▶ obtain any information it needs from any employee and/or relevant external party (subject to legal requirements)
- ▶ discuss and resolve matters with the external auditor, or other relevant external parties (subject to confidentiality considerations)
- ▶ request the attendance of any employee, including directors, at Committee meetings or participation in certain agenda items; and
- ▶ obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at Hearing Australia's expense.

5.1 RESPONSIBILITIES OF COMMITTEE MEMBERS

Committee members perform an important leadership role within Hearing Australia and are expected to:

- ▶ faithfully and diligently perform their duties as a member of the Committee
- ▶ always act in the best interests of Hearing Australia
- ▶ always behave with the utmost integrity
- ▶ always demonstrate the highest professional leadership and ethical standards
- ▶ actively support a highly collaborative culture within Hearing Australia
- ▶ actively support the development of leadership within Hearing Australia
- ▶ comply with all laws (including statutes, regulations and any relevant Hearing Australia policies), and
- ▶ never tolerate poor performance or poor behaviour.

Members are also expected to:

- ▶ contribute the time needed to study and understand the Committee papers provided;
- ▶ act independently and be objective
- ▶ actively contribute, express opinions frankly and tactfully, and
- ▶ contribute to the strategic and operational priorities of Hearing Australia.

6. FUNCTIONS

The Committee's functions include reviewing the appropriateness of Hearing Australia's financial reporting, performance reporting, system of risk oversight and management, and system of internal control.

6.1 FINANCIAL REPORTING

The Committee's financial reporting responsibilities include to:

- (a) review the financial statements, ANAO auditors' assessment of financial statement materiality, proposed disclosure of any critical audit matters and whether appropriate action has been taken in response to audit recommendations and adjustments to financial statements and recommend to the Board, their signing by the Chair of the Board. In particular, the Committee will:
 - (i) assess Hearing Australia's compliance with accounting standards, including an assessment of the appropriateness of accounting policies and disclosures;
 - (ii) review the financial statements against the requirements in the PGPA Act and *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*;
 - (iii) assess areas of significant judgement and financial statement balances that require estimation;
 - (iv) assess any significant changes to accounting policies and practices (by May each year); and
 - (v) review significant or unusual transactions, not covered by (iii) or (iv) above;
- (b) assess whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures;
- (c) assess whether additional entity information (other than financial statements) required by the Department of Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package) comply with the PGPA Act, the PGPA Rule, the Accounting Standards and supporting guidance;

- (d) review the processes in place designed to ensure that financial information included in Hearing Australia's annual report is consistent with the signed financial statements;
- (e) monitor the standard of financial information provided to the Board;
- (f) discuss with the ANAO the auditor's judgments about the adequacy of Hearing Australia's accounting policies and the quality of processes for the preparation of the financial statements; and
- (g) review whether Hearing Australia has appropriate mechanisms in place to review and implement, where appropriate, relevant Parliamentary Committee reports and recommendations.
- (h) The Committee will provide a statement to the Board stating:
 - whether the annual financial statements, in the Committee's view, comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance;
 - whether additional entity information (other than financial statements) required by Finance for the purpose of preparing the Australian Government consolidated financial statements (including the supplementary reporting package) comply with the PGPA Act, the PGPA Rules, the Accounting Standards and supporting guidance; –
 - the appropriateness of the entity's financial reporting as a whole, with reference to any specific areas of concern or suggestions for improvement.

6.2 PERFORMANCE REPORTING

The Committee's performance reporting responsibilities include to:

- (a) review how Hearing Australia measures and reports on its performance;
- (b) satisfy itself and provide assurance to the Board that Hearing Australia has a performance management framework that is linked to organisational objectives and outcomes, to ensure that Hearing Australia can measure and assess its performance in achieving its purposes as required under section 38 of the PGPA Act;
- (c) advise the Board on the preparation and review of Hearing Australia's annual performance statement; and
- (d) The Committee will provide a statement to the Board stating whether in their view Hearing Australia's annual performance statements and performance reporting as a whole is appropriate, with reference to any specific areas of concern or suggestions for improvement.

6.3 SYSTEM OF RISK OVERSIGHT AND MANAGEMENT

The Committee's risk oversight and management responsibilities include to:

- (a) review whether Hearing Australia's management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of Hearing Australia's financial and business risks, including fraud and corruption, and to approve Hearing Australia's Risk Management Framework;
- (b) determine whether a sound and effective approach has been followed by Hearing Australia in managing its major risks, including those associated with individual projects, program implementation and activities;

- (c) satisfy itself that Hearing Australia's management has assessed the impact of Hearing Australia's enterprise risk management framework on Hearing Australia's control environment;
- (d) monitor the adequacy of insurance cover for Hearing Australia;
- (e) assess the appropriateness of Hearing Australia's fraud control arrangements, that they are consistent with the fraud control framework, and satisfy itself that the entity has adequate processes for detecting, capturing and effectively responding to fraud risks;
- (f) monitor reports on fraud from Hearing Australia's management that outline any significant or systemic allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in Hearing Australia
- (g) oversee Hearing Australia's arrangements for meeting its obligations and responsibilities in relation to the control and management of corruption under the PGPA Act and National Anti-Corruption Commission Act 2022, including the mandatory referral of certain matters to the Commission, and requirements in relation to supporting and responding to the Commission's investigations.
- (e) at least annually, commission and approve an entity-wide assurance map that identifies Hearing Australia's key assurance arrangements; and
- (f) The Committee will provide a statement to the Board stating whether in its view Hearing Australia's system of risk oversight and management as a whole is appropriate (with reference to the Commonwealth Risk Management Policy for Non-Corporate Entities) and any specific areas of concern or suggestions for improvement.

6.4 SYSTEM OF INTERNAL CONTROL

The Committee's internal control responsibilities include to:

- (a) assess whether management has in place comprehensive and relevant policies and procedures designed to maintain an effective internal control framework, including controls over external parties such as contractors and advisors and information technology security and arrangements;
- (b) review whether management has in place appropriate policies and procedures, and that these are periodically reviewed and updated;
- (c) determine whether the appropriate processes are in place to assess, at least once a year, whether policies and procedures are complied with;
- (d) assess whether appropriate policies and supporting procedures are in place for the management and exercise of delegations;
- (e) assess whether management has taken steps to embed a culture that promotes the proper use of Commonwealth resources and which is committed to ethical and lawful behaviour;
- (f) determine whether a sound and effective approach has been followed in establishing Hearing Australia's business continuity planning arrangements, including whether business continuity and disaster recovery plans are periodically updated and tested
- (g) review management's approach to maintaining an effective internal security system—including complying, where reasonably practical, with the *Protective Security Policy Framework*—and ICT security policy;
- (h) determine whether management has appropriately considered legal and compliance risks as part of Hearing Australia's enterprise risk management plan

- (i) assess the effectiveness of the system for monitoring Hearing Australia's compliance with relevant laws, regulations and associated government policies; and
- (j) The Committee will provide a statement to the Board whether Hearing Australia's system of internal control is appropriate for the entity, with reference to any specific areas of concern or suggestions for improvement.

6.5 INTERNAL AUDIT

The Committee's internal audit responsibilities include to:

- (a) act as a forum for communication between the Board, senior management and internal audit;
- (b) review the proposed internal audit coverage and annual work plan, ensure the plan is based on Hearing Australia's key risks, and approve the audit plan and internal audit budget;
- (c) advise the Board on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan;
- (d) oversee the coordination of audit programs conducted by internal and external audit and other review functions;
- (e) review all audit reports and provide advice to the Board on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice;
- (f) monitor management's implementation of internal audit recommendations;
- (g) at least once a year, assess the performance of the internal audit service provider; and
- (h) meet separately, as required, with the internal audit service provider and obtain an annual report for the overall state of Hearing Australia's internal control.

6.6 EXTERNAL AUDIT / ENGAGEMENT WITH ANAO

The Committee's external audit responsibilities include to:

- (a) engage with the ANAO, as Hearing Australia's external auditor, in relation to the ANAO's financial statement and performance audit coverage. In particular, the Committee will:
 - (i) provide input on planned ANAO financial statement and performance audit coverage;
 - (ii) monitor management's responses to all ANAO financial statement management letters and performance audit reports, including the implementation of audit recommendations;
 - (iii) provide advice to the Board on action to be taken on significant issues raised in relevant ANAO reports or better practice guides; and
 - (iv) meet with the ANAO at least once a year.

6.7 OTHER

The Committee's other responsibilities include to:

- (a) perform additional functions as requested by the Board; and
- (b) institute and oversee special investigations as needed and requested by the Board.

7. REPORTING

The Committee will regularly update the Board on its activities and make recommendations to the Board, as appropriate or as required by the Board.

The Committee will regularly, but at least once a year, report to the Board on its operation and activities during the year (**Committee Report**).

The Committee Report should include:

- (a) a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- (b) a summary of Hearing Australia's progress in addressing the findings and recommendations made in internal, external and Parliamentary Committee reports;
- (c) an overall assessment of Hearing Australia's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting Hearing Australia; and
- (d) details of Committee meetings, including the number of Committee meetings held during the relevant period, and the number of Committee meetings each member attended.

The Committee may, at any time, report to the Board on any matter it deems important. In addition, at any time an individual Committee member may request a meeting with the Chair of the Board.

8. ADMINISTRATIVE ARRANGEMENTS

8.1 MEETINGS

The Committee will meet at least four times per year. A special meeting may be held to review Hearing Australia's annual financial statements. The Committee may have such additional meetings as the Chair of the Committee decides are necessary for the Committee to fulfill its duties.

The Chair of the Committee is required to call a meeting if asked to do so by the Board, another Committee member, the Managing Director, the internal auditors or the external auditors (ANAO).

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

8.2 ATTENDANCE AT MEETINGS, QUORUMS AND VOTING

A quorum for meetings will consist of the majority of the Committee members.

A quorum must be in attendance at all times during the meeting.

All Committee members are expected to attend each meeting in person, or via telephone or video conference.

Representatives of the internal audit team and external audit team (ANAO) may attend Committee meetings, unless requested not to do so by the Chair of the Committee.

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

The Chair of the Board and/or the Managing Director may be invited to attend Committee meetings to participate in specific discussions or provide strategic briefings to the Committee.

At a meeting, resolutions are determined by a majority of votes by the voting members present.

All Committee members are entitled to vote and have one vote. The Chair of the Committee, in the event that there is an equality of votes, has a casting vote. Any invited guests and/or non-members are not entitled to vote.

8.3 SECRETARIAT

The Committee receives secretariat support to assist it perform its functions. This includes the provision of a Secretary who is responsible for:

- ▶ providing advice and support to Committee members in relation to their duties
- ▶ ensuring that Committee procedures are followed
- ▶ ensuring that the agenda for each meeting and supporting papers are circulated in a timely manner, and
- ▶ ensuring that the minutes of the meetings are prepared and maintained.

8.4 CONFLICTS OF INTEREST

Once a year, Committee members will provide written declarations through the Chair, to the Board declaring any material personal interests they may have in relation to their responsibilities (in line with the PGPA Rule). Members should consider past employment, consultancy arrangements and related third party issues in making these declarations and the Board in consultation with the Chair, should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

Upon receipt of Committee papers, Committee members must declare any conflict of interests, including perceived conflicts to the Chair of the Committee and the Board Secretary. 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 if they personally should excuse themselves from the meeting or from the Committee's consideration of the relevant agenda item(s) due to a real or perceived conflict. Details of any conflict of interests are to be appropriately documented in the minutes of the meeting.

8.5 INDEPENDENT EXTERNAL ADVICE

The Committee or an individual Committee member may request the engagement of an independent external adviser in relation to any Committee matter, at the expense of Hearing Australia. Before the external advice is sought, consent must be obtained from the Chair of the Committee and any procurement activity must occur in line with Hearing Australia's procurement policy.

The Chair of the Committee may determine that any external advice received by an individual Committee member be shared with the Board.

8.6 REVIEW ARRANGEMENTS

The Chair of the Committee, in consultation with the Committee, will initiate a review of the performance of the Committee on an annual basis and report the outcomes of that review to the Board. This will include a review of this Charter. The review will be conducted on a self-assessment basis (unless otherwise determined by the Board) with input sought, where appropriate from the Board, the Managing Director, the internal and external auditors, the ANAO, management and any other relevant stakeholders, as determined by the Committee.

8.7 MEMBER PAYMENTS

Board Directors participating on the Committee may receive an additional payment as determined by the Australian Government Remuneration Tribunal.

People appointed to the Committee who are not Board Directors may, however, receive payment for their participation and attendance at meetings. Any such payments are to be determined by the Chair of the Committee, the Chairperson of the Board and the Managing Director.

Signed

Date: 16 February 2023

A handwritten signature in black ink, appearing to read 'Shirley Liew', with a stylized flourish at the end.

Shirley Liew
Chair

Signed

Date: 16 February 2023

A handwritten signature in blue ink, appearing to read 'Elizabeth Crouch', with a stylized flourish at the end.

Elizabeth Crouch
Chairperson