

# Board Audit and Risk Committee Charter

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## Purpose

1. The Board Audit and Risk Committee (Committee) is a committee of the Defence Housing Australia (DHA) Board. It is established in line with the requirements of Section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), Section 17 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) and the provisions of the *Defence Housing Australia Act 1987* (DHA Act).
2. The Committee assists the Board discharge its responsibilities as accountable authority by providing oversight and reviewing appropriateness of financial reporting, performance reporting, system of risk oversight and management, system of internal control,<sup>1</sup> compliance management and audit performance and independence.
3. 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 the Managing Director conducts the operational affairs of DHA in accordance with the DHA Act and any policies determined by, and any directions given by, the Board.
4. The Committee functions in an oversight, advisory and review role. The Committee has no executive powers or decision-making authority in relation to the operations of DHA, unless specifically delegated by the Board, either under this Charter or otherwise.

## Appointment, composition and tenure

5. The Board will appoint, replace or remove members to and from the Committee as needed and review the composition of the Committee at least annually. The Chair of the Board, DHA's Managing Director and DHA's Chief Financial Officer must not be members of the Committee.<sup>2</sup>
6. The Committee will have a minimum of 3 members, comprising of non-executive Directors and/or independent Committee members. The majority of the Committee must be non-executive Directors.
7. The Board may appoint independent Committee members (i.e. persons who are not non-executive Directors) for a term of up to 3 years. An independent member is a full member of the Committee.
8. The Board will appoint a Committee member as Chair of the Committee and may appoint a member of the Committee as Deputy Chair to act as Chair on an as needs basis.
9. In the event that neither the Chair nor Deputy Chair is available to attend a meeting, present Committee members will elect a non-executive Director to act as Chair.
10. All members of the Committee must be able to demonstrate suitable skills, qualifications, knowledge and experience to fulfil the responsibilities of the Committee.<sup>3</sup> At least one Committee member should possess accounting or related financial qualifications and experience.

## Responsibilities

11. The Committee is responsible for the following functions:

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<sup>1</sup> Section 17(2) of the PGPA Rule.

<sup>2</sup> Section 17(5) of the PGPA Rule.

<sup>3</sup> Section 17(3) of the PGPA Rule.

**Financial reporting**

12. Review of the appropriateness of the DHA's financial reporting<sup>4</sup> and the activity of the Australian National Audit Office, and their contractor, as DHA's external auditor including:
  - 12.1 DHA's annual financial statements and the financial information system
  - 12.2 changes in tax and accounting policies, practices or guidelines
  - 12.3 climate and sustainability reporting
  - 12.4 the proposed audit strategy, scope and approach for the financial audit
  - 12.5 any difficulties encountered in the audit and any significant resolved or unresolved disagreements with management
  - 12.6 all external auditor reporting.

**Performance reporting**

13. Review of the appropriateness of the DHA's corporate reporting<sup>5</sup> including:
  - 13.1 The performance framework and systems that underpin the performance reporting.

**System of risk oversight and management**

14. Review of the appropriateness of the DHA's risk oversight and management<sup>6</sup> including:
  - 14.1 DHA's Risk Management Framework and Risk Appetite Statement, including DHA's strategic risks
  - 14.2 DHA's Fraud Control Plan
  - 14.3 DHA's business continuity planning arrangements
  - 14.4 DHA's physical, cyber and asset security posture and controls.

**System of internal control**

15. Review of the appropriateness of the DHA's system of internal control<sup>7</sup> and the activity of DHA's internal auditor including:
  - 15.1 DHA's compliance with relevant laws, regulations ministerial directions and government policy orders
  - 15.2 the annual internal audit plan, internal audit charter and all internal audit reports
  - 15.3 the provision of advice to the Board on significant issues identified in audit reports
  - 15.4 the activities, funding and structure of the internal audit function, ensuring it is independent, effective and has appropriate standing
  - 15.5 review of the performance and independence of the internal audit function
  - 15.6 recommend to the Board the appointment and termination of the internal auditors
  - 15.7 monitoring the implementation of internal and financial audit findings and recommendations.

**Authority**

16. The Committee has the authority to request any information it requires, in line with this Charter, to perform its duties from the internal auditor and any employee of DHA, including the Managing Director.

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<sup>4</sup> Section 17(2)(a) of the PGPA Rule.

<sup>5</sup> Section 17(2)(b) of the PGPA Rule.

<sup>6</sup> Section 17(2)(c) of the PGPA Rule.

<sup>7</sup> Section 17(2)(d) of the PGPA Rule.

17. The Committee shall have direct access to discuss any matters with the Chief Risk Officer and the internal and external auditors.
18. The Committee is authorised to request independent, external legal or other professional advice it considers necessary to carry out its duties at DHA's expense, with the permission of the Board Chair.

## Meetings

19. The Committee will meet as required and at least 4 times per calendar year.
20. The Committee may meet as requested by the Board or any 2 Committee members. The Chair may also call a meeting if requested by the Managing Director, the Chief Risk Officer, the internal auditor or the external auditor.
21. At any point the Committee may convene privately (without management in attendance) in separate sessions with the internal auditor, the Chief Financial Officer, the Chief Risk Officer, or the external auditor where deliberations may be sensitive.

## Attendance at meetings

22. The Chair may invite the Managing Director and/or other DHA employees to attend Committee meetings, to participate in specific discussions or provide strategic briefings to the Committee.
23. DHA Directors may attend meetings of the Committee as an observer with the permission of the Committee Chair.
24. Internal and external auditors shall attend all meetings as an observer, unless otherwise instructed by the Chair.
25. Meetings will be held in person or by any technological means deemed appropriate.

## Quorum

26. The quorum for meetings of the Committee is a majority of the Committee, whichever is greater.

## Resolutions

27. Resolutions of the Committee form the basis of a recommendation, finding, advice and/or decision of the Committee to either the Board or management for their consideration and/or action as they deem appropriate, noting that resolutions of the Committee are not binding.
28. Resolutions of the Committee are carried where the majority of Committee members vote in favour of a recommendation. In the event of a tied vote, the Chair has a casting vote.

## Reporting

29. The Chair will report the findings and recommendations of the Committee to the Board after each meeting, or otherwise as appropriate.
30. The Committee will report annually to the Board on its operations and performance during the previous financial year. This will include a summary of work performed, the Committee's responsibilities and how they were met.

## Secretariat

31. The Company Secretariat will provide support to the Committee by preparing and retaining all Committee records, including agendas, minutes and any reports or resolutions.
32. The Company Secretariat will oversee the induction of new Committee members to assist them to fulfil their responsibilities.

### **Material personal interests**

33. Committee members must provide annual written declarations, through the Chair, to the Board declaring any material personal interests they may have in relation to their responsibilities. Committee members must update their declarations otherwise as needed.
34. Committee members and observers must declare any material personal interests at the start of each meeting or before discussion of the relevant agenda item.

### **Assessment arrangements**

35. The Committee's performance will be assessed as part of the annual Board performance review. Outcomes pertinent to the Committee will be provided separately.

### **Review of the Charter**

36. This Charter must be reviewed annually. Any changes are subject to Board approval.