

Board Audit and Risk Committee Charter

June 2021

Purpose of the Committee

- 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), Rule 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,¹ 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 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 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. The Committee functions in an oversight, advisory and review role.
- 5 This Charter sets out the authority delegated by the Board to the Committee and the Committee's composition, responsibilities, powers and operation.²

Appointment, composition and tenure

- 6 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.
- 7 The Committee will have a minimum of three members, comprising of non-executive Board and/or independent Committee members. The majority of the Committee must be members of the Board.
- 8 The Board may appoint independent Committee members (i.e. persons who are not members of the Board) for a term of up to three years. An independent member is a full member of the Committee.
- 9 The following persons must not be a member of the Committee³:
 - 9.1 The Chair of the Board
 - 9.2 DHA's Chief Financial Officer
 - 9.3 DHA's Managing Director.
- 10 The Board will appoint a Committee member as Chair of the Committee.

¹ Section 17(2) of the PGPA Rule.

² Section 17(1) of the PGPA Rule.

³ Section 17(5) of the PGPA Rule.

- 11 The Board may appoint a Committee member as Deputy Chair of the Committee, to act as Chair on an as needs basis. Independent Committee members cannot be appointed as Deputy Chair.
- 12 In the event that neither the Chair nor Deputy Chair is available to attend a meeting, present Committee members will elect a non-executive Board member to act as Chair.
- 13 All members of the Committee must be able to demonstrate suitable skills, qualifications, knowledge and experience to fulfil the responsibilities of the Committee.⁴ At least one Committee member should possess accounting or related financial qualifications and experience.

Responsibilities

- 14 The Committee has the following responsibilities:

Financial reporting

- 14.1 Review and endorse for Board approval DHA's annual financial statements, including any disclosures.
- 14.2 Review and endorse for Board approval changes in tax and accounting policies, practices or guidelines.
- 14.3 Review the appropriateness of DHA's financial information system, the integrity of DHA's internal control structure and compliance with audit, accounting, tax and financial reporting obligations.
- 14.4 Review the external auditor's judgments about the adequacy of DHA's accounting policies and the appropriateness of DHA's processes for the preparation of annual financial statements, including discussions with the Australian National Audit Office (ANAO) as needed.
- 14.5 Perform a half-yearly review of DHA's financial performance.

Performance reporting

- 14.6 Review the performance information, systems and framework, and the completeness and accuracy of proposed performance reporting (including application of the PGPA Act, PGPA Rule and supporting guidance) that underpin the performance reporting.

System of risk oversight and management

- 14.7 Review and endorse for Board approval the Risk Management Framework and Risk Appetite Statement every two years.
- 14.8 Review and have oversight over DHA's strategic risks in conjunction with risk appetite settings and ensure appropriate mitigation plans have been implemented.
- 14.9 Review and have oversight over the adequacy of insurance coverage for DHA.
- 14.10 Review and have oversight over fraud risk, including a review of DHA's Fraud Control Plan every two years.

⁴ Section 17(3) of the PGPA Rule

- 14.11 Review and have oversight over DHA's business continuity planning arrangements, including whether business continuity and disaster recovery plans are periodically updated and tested.
- 14.12 Review DHA's security posture and controls, and the mechanisms for reporting of security breaches.
- 14.13 Review DHA's cyber security readiness and controls, and the mechanisms for reporting cybersecurity breaches
- 14.14 Review whether management has taken steps to embed a culture that is committed to ethical and lawful behaviour.

System of internal control

- 14.15 Review and report to the Board the appropriateness of the system of internal control, including any areas of concern or suggestions for improvement.
- 14.16 Review management's approach to maintaining an effective internal control framework and whether appropriate processes are in place for assessing whether key policies and procedures are complied with.

Compliance management

- 14.17 Monitor DHA's compliance with relevant laws, regulations ministerial directions and government policy orders.
- 14.18 Determine whether appropriate policies and procedures are in place through the Accountable Authority Instructions (AAIs), and whether policy and procedures under the AAIs are complied with.
- 14.19 Monitor reports from the Executive on the effectiveness of internal self-assessment processes and other forms of continuous monitoring.
- 14.20 Promptly advise the Board of any significant compliance matters, including non-compliance with finance laws or breaches.
- 14.21 Monitor material incidents affecting DHA's major stakeholders, including Defence members, employees, contractors, and investors.

Audit performance and independence

Internal audit

- 14.22 Review and endorse for Board approval the annual internal audit plan
- 14.23 Monitor internal audit's coordination with external audit, coverage of higher-risk areas and assurance on DHA's compliance with relevant laws, regulations, and DHA policies and procedures.
- 14.24 Review all reports in respect of planned or completed audits and monitor management responses and implementation of audit recommendations.
- 14.25 Provide advice to the Board on significant issues identified in audit reports and action taken on issues and recommendations raised,

including identification and dissemination of better practice and improvements.

- 14.26 Obtain an annual report from the internal auditor on the overall state of DHA's internal controls.
- 14.27 Annually, in consultation with management, review the activities, funding and structure of the internal audit function, ensuring it is independent, effective and has appropriate standing.
- 14.28 Annually, in consultation with management, review the performance of internal audit and recommend to the Board the appointment and termination of the internal auditors.
- 14.29 Periodically review and approve DHA's internal audit charter to ensure appropriate authority, access and reporting arrangements are in place.

External audit

- 14.30 Review the external auditor's proposed audit strategy, scope and approach for the current year.
- 14.31 Provide input on planned financial statement and ANAO performance audit coverage.
- 14.32 Discuss with external auditors any difficulties encountered in the audit, including access to information and any significant resolved or unresolved disagreements with management.
- 14.33 Review management letters containing material findings or recommendations raised by the external auditors and monitor management action in response to findings.

Audit independence

- 14.34 Review and assess the independence of the internal auditors, the ANAO and their contractors.

Authority

- 15 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 and other Executive members.
- 16 The Committee shall have direct access to discuss any matters with the Chief Risk Officer and the internal and external auditors.
- 17 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.

Operation and assessment of the Committee

Meetings

- 18 The Committee will meet as required and at least four times per year.
- 19 The Committee may meet as requested to do so by the Board or any two Committee members. The Chair may also call a meeting if requested to do

so by the Managing Director, Chief Risk Officer, internal auditor or the external auditor.

- 20 Prior to each meeting, the Committee may convene privately (without management in attendance) in separate sessions with the internal auditor, Chief Financial Officer, Chief Risk Officer, or external auditor.

Attendance at meetings

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

Quorum

- 24 The quorum for meetings of the Committee is two persons or a majority of the Committee, whichever is greater.

Resolutions

- 25 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
- 26 Each member of the Committee will have one vote and resolutions will be decided by a majority of votes.
- 27 In the event of a tied vote, the Chair will have the deciding vote.

Reporting

- 28 The Chair will report the outcomes of Committee meetings to the Board after each meeting, or otherwise as appropriate.
- 29 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

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

Conflicts of interest

- 32 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.

- 33 Committee members and observers must declare any material personal interests at the start of each meeting or before discussion of the relevant agenda item.
- 34 The external and internal auditors must provide annual written conflict of interest declarations to the Committee.

Assessment arrangements

- 35 The Chair will initiate a self-assessment of the performance of the Committee against its responsibilities at least every two years. A written report of the assessment will be provided to the Board.

Review of the Charter

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