

Charter

NSW Health Pathology Audit and Risk Committee



Health
Pathology

The NSW Health Pathology Audit and Risk Management Committee (the Committee) has been established as a Committee of the NSW Health Pathology Board pursuant to clause 33 of the Board Constitution and in compliance with the NSW Health Internal Audit Policy Directive.

This Charter sets out the role, responsibilities and composition of the Committee.

1. Role and Authority

The role of the Committee is to provide independent assistance to the Board and Chief Executive by monitoring, reviewing and providing advice about the organisation's governance processes, risk management and control frameworks, and its external accountability obligations. The Committee assists the Chief Executive to fulfil their obligations under section 3.6 of the *Government Sector Finance Act 2018*.

In fulfilling its responsibilities, the Committee will observe and promote the core organisational values of Respect, Integrity, Teamwork and Excellence.

The Committee has no executive powers, delegated financial responsibility or management functions.

The Board authorises the Committee, within the scope of its role and responsibilities, to:

- a) obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- b) discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- c) request the attendance of any employee (including the Chief Executive) at Committee meetings; and
- d) obtain external legal or other professional advice, as considered necessary to meet its responsibilities. The payment of costs for that advice is subject to the prior approval of the Chief Executive.

2. Responsibilities

The Committee is directly responsible and accountable to the Board for the exercise of its responsibilities. It supports the Chief Executive and Board by:

- Reviewing the effectiveness of governance, risk management, compliance and control
- Reviewing the financial statements and performance reporting
- Promoting improved economy, efficiency, effectiveness and ethical culture
- Reviewing reliability of management information.
- Monitoring and evaluating internal audit performance
- Reviewing the effectiveness of fraud control measures; and
- Monitoring compliance with laws, regulations, standards and good practice.

In carrying out its responsibilities, the Committee must at all times recognise that the Board has primary responsibility for the governance, risk management and compliance of the organisation and the Chief Executive has primary responsibility for the management of the organisation.

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

The Committee shall have the ability to review all elements of the Organisation's governance and assurance activities.

2.1. Risk management

The Committee's responsibilities include:

- a) review whether management has in place a current and appropriate risk management framework that is consistent with AS/NZS ISO 31000:2018 (*Risk Management – Guidelines*);
- b) review risk management plans and reports and provide advice to the Board and Chief Executive;
- c) assess and advise on the maturity of NSW Health Pathology's risk management framework and risk culture;
- d) consider the adequacy and effectiveness of internal control and risk management frameworks by reviewing reports from management, internal audit and external audit, and by monitoring management responses and actions to correct any noted deficiencies;
- e) assist the Board in setting the risk appetite for NSW Health Pathology, and satisfy itself that NSW Health Pathology operates with due regard to that risk appetite;
- f) make recommendations to the Board in relation to changes to the risk appetite;
- g) seek assurance from management and Internal Audit that risk management processes are operating effectively, including that relevant internal control policies and procedures are in place and that these are periodically reviewed and updated;
- h) review whether a sound and effective approach has been followed in developing risk management plans for significant projects, initiatives or undertakings;
- i) review the impact of NSW Health Pathology's risk management on its control environment and insurance arrangements;
- j) review NSW Health Pathology's fraud and corruption control framework including the fraud control plan and be satisfied that NSW Health Pathology has appropriate processes and systems in place to capture and effectively investigate fraud-related information;
- k) review whether a sound and effective approach has been followed in establishing NSW Health Pathology's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically;
- l) seek assurance from management that emerging risks are being identified and addressed; and
- m) consider risks of state-wide significance to NSW Health Pathology;
- n) consider the impacts of climate-related risks when identifying types of risks that might impact the organisation's ability to achieve its objectives; and
- o) consider privacy and security risks, including physical security, cyber security and ICT security, when identifying organisation risks.

2.2. External accountability

The Committee's responsibilities include:

- a) assess the adequacy of local procedures for management review and consideration of the financial position and performance of the organisation, including the frequency and nature of that review (including the approach taken to addressing variances and budget risks);

- b) review the requirements around early close and year-end;
- c) review the financial statements and provide advice to the Board and Chief Executive, and recommend their signing by the Chief Executive;
- d) satisfy itself that the financial statements are supported by appropriate management sign-off on the statements;
- e) review the Director of Finance Letter of Certification and supporting documentation (in line with the NSW Treasury Policy and Guidelines Paper, as applicable to NSW Health Organisations);
- f) review policies and procedures for collection, management and disbursement of grants and tied funding;
- g) review the processes in place designed to ensure that financial information provided for inclusion in the NSW Health annual report is consistent with the signed financial statements; and
- h) satisfy itself that NSW Health Pathology has a performance management framework that is linked to organisational objectives and outcomes, including by seeking assurance or advice from the Finance and Performance Committee as appropriate.

2.3. Compliance and ethics

The Committee's responsibilities include:

- a) determine whether management has appropriately considered legal and compliance risks as part of NSW Health Pathology's risk assessment and management arrangements;
- b) review the effectiveness of the system for monitoring NSW Health Pathology's compliance with applicable laws and regulations, and associated government policies;
- c) review whether management has in place current and effective frameworks relating to corporate, clinical, research and data governance;
- d) seek assurance that the appropriate exercise of delegations is monitored and reviewed;
- e) seek assurance that changes in key laws, regulations, internal policies and applicable standards affecting NSW Health Pathology's operations are being monitored at least once a year, and appropriately addressed;
- f) review NSW Health Pathology's process for communicating the Code of Conduct to staff and seek assurance as to compliance with the Code;
- g) review policies and processes for identifying, analysing and addressing complaints; and
- h) review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

2.4. Internal audit

The Committee's responsibilities include:

- a) review and provide advice to the Board and Chief Executive on the internal audit policies and procedures;
- b) review the risk-based internal audit methodology;
- c) review the internal audit coverage and annual work plan, ensure the plan is based on NSW Health Pathology's strategic objectives, risks and risk exposures, and recommend approval of the plan by the Chief Executive;

- d) advise the Chief Executive on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan;
- e) review audit findings and related recommendations that have been assessed as the most significant according to the risk the audit findings represent to the organisation if the recommendation(s) relating to the findings are not implemented;
- f) provide advice to the Board and Chief Executive on significant issues identified in audit reports and action taken on these issues, including identification and dissemination of good practice;
- g) monitor management's implementation of internal audit recommendations;
- h) review and endorse the internal audit charter to ensure appropriate organisational structures, authority, access to senior management and reporting arrangements are in place;
- i) periodically assess the performance of Internal Audit, with the Chair contributing to the annual performance review of the Chief Audit Executive;
- j) provide advice to the Board and Chief Executive on the results of any external assessments of the internal audit function;
- k) provide advice to the Chief Executive on whether the Chief Audit Executive should be a dedicated role within NSW Health Pathology;
- l) provide advice to the Board and Chief Executive on the appointment or replacement of the Chief Audit Executive and, where appropriate, recommend the appointment or replacement of internal audit service providers in the case of an outsourced or co-sourced internal audit function;

2.5. External audit

The Committee's responsibilities include:

- a) act as a forum for communication between the Board and Chief Executive, senior management and internal and external audit;
- b) provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided;
- c) review all external plans and reports (including management letters) in respect of planned or completed audits and monitor management's implementation of audit recommendations; and
- d) provide advice to the Board and Chief Executive on action taken on significant issues raised in relevant external audit reports and better practice guides.

3. Membership

3.1. Committee Composition

The Committee is to have no fewer than three and no more than five members, including the Chair. All Members (including the Chair) must be independent and sourced from NSW Treasury's Prequalification Scheme: *Audit and Risk Committee Independent Chairs and Members*, on the NSW Procurement website buy.nsw.gov.au. Under the Scheme, Chairs and Members may sit on up to five NSW public sector audit and risk committees at any one time.

Except for the appointment of an entirely new Committee, the appointment of Members is only to be made after consultation with the Committee Chair. Members must possess the skills, knowledge and experience that are relevant to, and which will enhance, the Committee's operations.

Prior to appointing a Chair, and prior to appointing or reappointing a Member, the organisation must conduct appropriate probity checks on the candidate. These checks may include a National Criminal Record Check and Insolvency Check.

Current employees of any NSW government sector organisation, other than State Owned Corporations, cannot serve as a Member or Chair on the Committee.

3.2. Term of Appointments

The Chair shall be appointed for a single term only for a period of at least 3 years and not greater than 5 years. The term of appointment for the Chair can be extended subject to a formal review of the Chair's performance, but any extension must not cause the total term to exceed 5 years as Chair of the Committee. A Member who is prequalified as a Chair may be appointed as a Chair either prior, or subsequent, to a term as a Member.

Members will be appointed for an initial period of at least 3 years and not greater than 5 years. Members may be extended or re-appointed for a further term(s), subject to a formal review of their performance and provided that total period of Membership on the Committee does not exceed 8 years (inclusive of any term as Chair of the Committee).

3.3. Attendees

The following positions will be invited to attend each meeting of the Committee:

- Board Chair
- At least one other Board member appointed by the Board Chair
- Chief Executive
- Chief Audit Executive
- Enterprise Risk Manager
- Representative of external Internal Audit service provider (if applicable)
- Director, Finance and Corporate Services
- Representative of NSW Audit Office
- Representative of NSW Ministry of Health Finance

The Chair of the Committee may invite any person as it determines to attend and address a meeting of the Committee (either for the duration of the meeting or in relation to a specific agenda item).

All attendees are responsible and accountable for maintaining the confidentiality of the information they receive during the course of these meetings.

Committee members may hold in-camera discussions, if necessary. The Committee will meet separately and in-camera with both the internal and external auditors at least once a year. The Committee may also have in-camera discussions with any other members of the organisation, if necessary.

3.4. Expectations

Members of the Committee are expected to:

- understand and observe the requirements of the NSW Health Internal Audit Policy Directive and the NSW Health Enterprise-wide Risk Management Policy Directive
- make themselves available as required to attend and participate in meetings

- contribute the time needed to study and understand the papers provided
- apply good analytical skills, objectivity and good judgement
- abide by the relevant ethical codes that apply to employment within the NSW public sector, including the NSW Health Code of Conduct and the *NSW Treasury Prequalification Scheme – Audit and Risk Committee Independent Chairs and Members – Scheme Conditions*
- express opinions, frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

4. Secretariat Support

The Chief Audit Executive is responsible for ensuring Secretariat support for the Committee.

5. Meetings

5.1. Frequency and Location

Committee meetings may be held face to face, by telephone, videoconference, or other electronic means. The Committee shall meet at least 4 times a year. A special meeting may be held to review the annual financial statements.

A meeting plan, including the meeting dates and agenda items, will be agreed by the Committee and NSW Health Pathology each year. The estimated total remuneration per Independent Chair and Member will be determined based on the estimated number of meetings and monitored by NSW Health Pathology. The meeting plan will cover all of the Committee's responsibilities as detailed in this Charter.

The Chair is required to call a meeting if requested to do so by the Board or Chief Executive, or another Committee member. The Chair of the Committee is to ensure that at least 24 hours' notice is given of a special meeting to every member of the Committee and each person invited to attend the meeting. Notice of a special meeting is to specify the business to be considered at that meeting, and only business specified in the notice is to be considered at the special meeting.

5.2. Quorum

A quorum shall consist of a majority of Committee members. A quorum must include at least 2 independent members.

5.3. Dispute Resolution

The Chair and Members of the Committee must establish and maintain an effective working relationship with management, including senior executives, and must seek to amicably resolve differences or concerns with management by way of open negotiation.

Where a disputed matter cannot be resolved, the Chair of the Committee may make an oral or written request to the Board Chair. If a disputed matter cannot be resolved locally, the matter is to be referred to the Deputy Secretary, People, Culture and Governance and, if required, to the Secretary, NSW Health.

Decisions of the Committee may be made at a duly called and constituted meeting, or by a resolution in writing to all members and physically or electronically signed by all members. Decisions made at a meeting are to be stated in the minutes of the meeting at which they were decided.

5.4. Agenda and Minutes

The agenda shall be agreed by the Chair prior to the meeting. All papers must be submitted to the Secretariat by the specified submission deadline. The agenda and papers shall be distributed by the Secretariat at least five working days prior to the meeting dates. Only with the Chair's permission will late papers be accepted.

All meetings shall be minuted, and the minutes shall be approved by the Chair and distributed to all members of the Committee and each observer within 10 working days after the meeting and again with the agenda papers for the next meeting. The deliberations and minutes of the Committee must be submitted to the Board for information.

6. Reporting

6.1. Reporting to the Board and other Board Committees

The Committee shall provide a report to the Board at each Board meeting which includes matters considered or approved by the Committee or referred to the Board for consideration or decision, any matters of concern and emerging issues. The report is a standing agenda item at each Board meeting and will be approved and presented to the Board by the Chair of the Committee.

Should the Committee need to refer or report a matter to another Board Committee, the Chair will write to the respective Chair, with a copy to the Board Chair.

In addition, the Committee will regularly, but at least once a year, report to the Board and Chief Executive on its operation and activities during the year. As a minimum, the report is to include:

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

The Committee may, at any time, report to the Board and Chief Executive 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 Board Chair and Chief Executive.

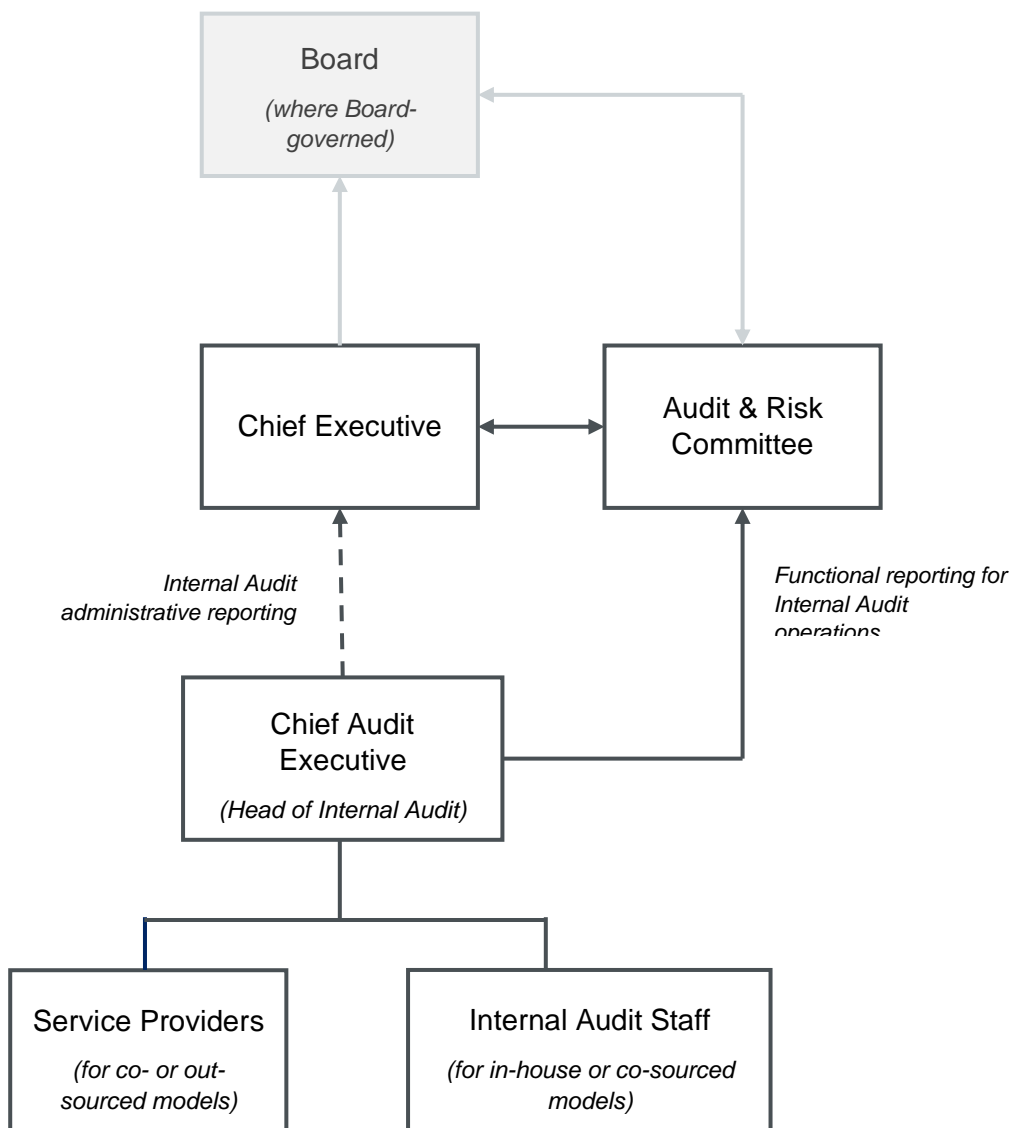
6.2. Reporting Lines

The Committee must at all times ensure it maintains a direct reporting line to and from Internal Audit and act as a mechanism for Internal Audit to report to the Chief Executive on functional matters.

The following reporting line is prescribed where the dotted line represents the 'administrative' reporting line and the bold line represents the 'functional' reporting line:

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7. Conflicts of Interest

Once a year the Committee Members will provide written declarations stating they do not have any conflicts of interest that would preclude them from being members of the Committee.

Committee Members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted and recorded in NSW Health Pathology's Conflicts of Interest Register in accordance with NSW Health Pathology's Conflicts of Interest and Gifts and Benefits Procedure.

Where members or observers at a Committee meeting are deemed to have an actual, or perceived, conflict of interest, the Chair (or a quorum of the Committee if the conflict of interest arises from the Chair) shall excuse them from Committee deliberations on the issue where a conflict of interest exists.

8. Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

9. Evaluation

The Board Chair, in consultation with the Chair of the Committee, will establish a mechanism to review and report on the performance of the Committee, including the performance of the Chair and each member, at least annually. The review will be conducted on a self-assessment basis (unless otherwise determined by the Board Chair) with appropriate input from the Chief Executive, the internal and external auditors, management and any other relevant stakeholders, as determined by the Board Chair.

10. Review of Charter

This Charter will be reviewed by the Committee at least every year. This review will include consultation with the Board. Any substantive changes to this Charter must be consistent with the NSW Health Internal Audit Policy Directive, recommended by the Committee and formally approved by the Board Chair.

11. Version History

Version No	Approval Date	Approved By	Details
1.0	16 December 2020	Board	Change of structure to ensure consistency with other Board subcommittee Charters; addition of responsibilities regarding risk appetite and research and informatics governance
1.1	8 March 2021	Board Chair	Minor amendments to reflect changes to Model Charter in the new TPP 20_08 <i>Internal Audit and Risk Management Policy for the General Government Sector</i>
1.2	18 June 2021	Board Chair	Minor amendments to reflect changes to NSWHP Attendee Position Titles
1.3	14 November 2022	Board Chair	Minor amendments in line with revised NSW Health Model Audit and Risk Committee Charter
1.4	22 April 2024	Board Chair	Minor amendments to list of management attendees

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