



IHPA

Independent Hospital Pricing Authority

Audit, Risk and Compliance Committee Charter

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Document information

Approval and Version History

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4.0	November 2019	Olga Liavas Incorporate changes to Department of Finance guidance on audit committees and IHPA's current operating arrangements	Approved by: James Downie Chief Executive Officer	Signed on 9 December 2019	9 December 2019
4.1	April 2021	Olga Liavas Minor update to reference current Resource Management Guide at Attachment A.	Approved by: James Downie Chief Executive Officer	Signed 13 April 2021	13 April 2021

Ownership

Enquiries regarding this document can be made to:

Name: James Downie

Position: Chief Executive Officer

Email: james.downie@ihpa.gov.au

Phone: 02 8215 1100

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Introduction

The Independent Hospital Pricing Authority (IHPA) is established under Part 4.2 of the *National Health Reform Act 2011* (the NHR Act).

IHPA's Chief Executive Officer (CEO) is IHPA's accountable authority under the NHR Act.

As IHPA's accountable authority, the CEO must ensure that IHPA has an audit Committee that is constituted and performs its functions in accordance with Section 45 of the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act) and section 17 of the *Public Governance, Performance and Accountability Rule 2014* (the PGPA Rule).

Purpose

The *Audit, Risk and Compliance Charter* (the Charter) sets out the Audit Risk and Compliance (ARC) committee's:

- constitution and functions consistent with the PGPA Act and Rule; and
- authority, responsibilities, reporting and administrative arrangements.

Objective

The ARC Committee's primary role is to provide independent advice and assurance to the CEO on IHPA's accountability and control framework. The ARC Committee will also provide independent verification about the integrity of IHPA's financial and performance reporting.

The ARC Committee also supports IHPA's corporate governance arrangements and assists IHPA in meeting its strategic objectives.

Authority

The CEO authorises the ARC Committee, within its responsibilities to:

- obtain any information it requires from staff or external party (subject to any legal obligation to protect information)
- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations)
- request the attendance of any IHPA employee, including the CEO, at ARC Committee meetings
- obtain legal or other professional advice, as considered necessary to meet its responsibilities, at IHPA's expense to a preapproved limit of \$100k
- make recommendations on the appointment, re-appointment or replacement remuneration, monitoring of effectiveness and independence of the internal auditors
- retain independent counsel, accountant, or others to advise the ARC Committee or assist it in the conduct of an investigation
- conduct or authorise investigations into any matters within its scope of responsibility
- obtain any information from IHPA that will assist it to carry out its functions
- seek any information it requires from employees of IHPA through the ARC Committee Chair and
- meet with IHPA staff, external auditors, or independent counsel as necessary.

Membership

Membership of the ARC Committee will comprise at least three and generally not more than six members. They must not be employees of IHPA and the majority of these members must be external to IHPA.

Sharing audit ARC Committee members (with other Commonwealth entities) is encouraged.

IHPA's CEO will appoint the Chair of the ARC Committee. The ARC Committee is authorised to appoint a Deputy Chair of the Committee who will act as Chair in the absence of the Chair of the ARC Committee.

IHPA's CEO, Chief Financial Officer, Executive Officer and the Head of IHPA's Internal Audit cannot be members of the ARC Committee. However, they can attend meetings as observers or as determined by the Chair.

Appointment

Members will be appointed for an initial period not exceeding three years. Members may be re-appointed after a formal review of their performance for a further period not exceeding two years, unless otherwise agreed following discussions with the Chair of the ARC Committee.

A representative of external audit will be invited to attend all meetings of the ARC Committee, as an observer.

Qualifications, knowledge, experience necessary for membership

Appointees must have appropriate qualifications, knowledge, skills or experience to assist the ARC Committee to perform its functions. As a guide, ARC Committee members should collectively have knowledge or expertise in:

- the business or industry in which the entity operates
- risk identification, evaluation and management
- project and programme management
- information management and security
- the operations of government and the public sector, including information technology systems and controls
- the roles of internal and external audit
- the application of accounting, auditing and assurance standards
- relevant legislative and other policy requirements of the entity
- public sector reporting requirements, including financial and performance reporting
- internal control, compliance activities and fraud control; and
- a background in finance.

Functions

The functions of the ARC 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 controls.

As a guide, when exercising these functions, the ARC Committee is to provide advice to the accountable authority on:

Financial reporting

- IHPA's annual financial statements
- any other matter relating to the accountable authority's obligations under the PGPA Act and/or other relevant Acts
- the adequacy of the accountable authority's budget and reporting framework and controls.

Performance reporting

- the appropriateness of IHPA's performance reporting having regard to the mandatory requirements of the PGPA Act, the PGPA Rule, and also the Commonwealth performance framework
- IHPA's approach to measuring its performance throughout the financial year against the performance measures included in its corporate plan
- the framework for the selection of key performance indicators and other performance measures
- action that could be taken on significant matters of concern or significant opportunities for improvement that are mentioned in reports of internal and external audits.

Systems of risk oversight and management, which may cover

- IHPA's risk oversight and management framework for IHPA. Including:
 - whether identified risks and their treatments are consistent with the committee's understanding of the IHPA's operating context
 - measures to prevent, detect, and deal with fraud
 - IHPA's business continuity plan
 - IHPA's internal audit plans
 - the professional standards to be used by internal auditors in the course of carrying out IHPA audits
 - as far as practicable, coordinating work programmes relating to internal and external audits
 - the adequacy of IHPA's response to reports of internal and, as far as practicable, external audits
 - the content of reports of internal and external audits to identify material that is relevant to IHPA, and advising the accountable authority about good practices.

Systems of internal controls, which may cover

- the adequacy of:
 - the controls that are designed to ensure IHPA's compliance with legislation
 - IHPA's governance arrangements
 - IHPA's internal control environment.

The ARC Committee is not limited to the functions listed above and can undertake other functions.

Timelines

At each September meeting, the ARC Committee will review the forthcoming draft corporate plan and the draft annual report for the year proceeding.

Other responsibilities

Departmental responsibilities

The ARC Committee must satisfy itself that appropriate mechanisms are in place for the departmental secretary to be informed of all significant issues within the portfolio.

Parliamentary Committee reports and external reviews

The ARC Committee must satisfy itself that IHPA has appropriate mechanisms in place to review and implement, where appropriate, relevant Parliamentary Committee reports and external reviews of IHPA, and recommendations arising from these reports and reviews.

ARC sub-committees

The ARC Committee may establish one or more sub-committee/s to assist the ARC Committee in meeting its responsibilities.

The responsibilities, membership and reporting arrangements for each sub-committee shall be documented and approved by the ARC Committee. In creating a sub-committee, the ARC Committee arrangements should stipulate that:

- where a member of the ARC Committee is appointed as Chair of the sub-committee; the membership of ARC sub-committees could extend beyond members of the full ARC committee if additional expertise on particular matters is required;
- minutes of all meetings of sub-committees shall be taken, distributed promptly to all members of the ARC Committee, and tabled for discussion at the next ARC Committee meeting; and
- important issues that may require consideration by the ARC Committee are brought to the attention of the Chair of the ARC Committee immediately following a sub-committee meeting so that the Chair is in a position to decide what action to take.

The ARC sub-committee/s should not assume any IHPA management functions nor should IHPA exert inappropriate influence over the work of the ARC Committees.

Compliance Working Group

Compliance is a critical component of IHPA's governance arrangements. Where necessary, the ARC Committee can establish a Compliance Working Group (CWG) to ensure the proactive management of compliance across the organisation.

Should the ARC Committee establish a CWG, the roles and responsibilities of the CWG are to be outlined in a Terms of Reference.

Responsibilities of ARC Committee Members

Members of the ARC Committee are expected to understand and observe the legal requirements of the PGPA Act, PGPA Rule and guidance issued by the Department of Finance. Members are also expected to:

- act in the best interests of IHPA;
- apply good analytical skills, objectivity and good judgment;

- express opinions constructively and openly, raise issues that relate to the ARC Committee's responsibilities and pursue independent lines of enquiry; and
- contribute the time required to review the meeting papers provided.

Reporting

An annual report on the operation and activities of the ARC Committee during the year will be provided to the CEO. This should include:

- a summary of the work the ARC Committee performed to discharge its responsibilities during the preceding year
- a summary of IHPA's progress in addressing the findings and recommendations made in internal and external audit and parliamentary committee reports
- an overall assessment of IHPA's risk, control and compliance framework, including details of any significant emerging risks or legislative changes affecting IHPA; and
- details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended.

The ARC Committee also has the discretion to report matters of significant importance to the CEO at any time during the year. In addition, at any time an individual ARC Committee member may request a meeting with the CEO. The ARC Committee meetings will be minuted. Minutes will be provided to the Pricing Authority for information at the Pricing Authority meeting immediately following the ARC Committee meeting.

The ARC Committee can also make recommendations to the CEO about matters that might be relevant to the Pricing Authority.

Administrative arrangements

Meetings

The ARC Committee will typically meet at least four times per year, with authority to convene additional meetings as circumstances require.

A special meeting may be held to review IHPA's annual financial statements.

The Chair is required to call a meeting if asked to do so by the CEO, and decide if a meeting is required if requested by another member.

Members of the ARC Committee may meet with the external and/or external auditors without management personnel being present as required. Such meetings should address, amongst other things, whether each auditor has received co-operation from IHPA management and whether there have been any impediments to carrying their respective audits.

Members of the ARC-Committee may also meet with management personnel, without the auditors being present as required.

Planning

The ARC Committee will develop a forward meeting schedule that includes the dates, location, and proposed agenda items for each meeting for the forthcoming year, and that covers all the responsibilities outlined in this Charter.

A quorum for a meeting of the ARC Committee will be more than half of the total number of the voting Members of the ARC Committee. All motions of the ARC Committee will be decided by a simple majority vote. In the case of equality of votes, then the Chair will have the casting vote.

Ethical practices

Members of the ARC Committee will, at all times in the discharge of their duties and responsibilities, exercise honesty, objectivity and probity and not engage knowingly in acts or activities that have the potential to bring discredit to IHPA.

Members also must refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and must at all times act in a proper and prudent manner in the use of information acquired in the course of their duties.

Members must not use information obtained in their work with IHPA for any personal gain for themselves or their immediate families or in any manner that would be contrary to law or detrimental to the welfare and goodwill of IHPA.

Further, members must not publicly comment on matters relative to activities of the ARC Committee other than as authorised by CEO.

Secretariat

The CEO, in consultation with the ARC Committee, will appoint a person to provide secretariat support to the ARC Committee.

The secretariat is responsible for:

- ensuring the agenda for each meeting is approved by the Chair of the ARC Committee;
- circulating the agenda and supporting papers at least one week before the meeting;
- ensuring the minutes of the meetings are prepared and maintained. Minutes must be reviewed by the Chair prior to circulation to the ARC Committee.

Disclosure of interests

ARC Committee members have a responsibility to disclose material personal interests and take reasonable steps to avoid any conflict of interest in connection with the performance of their duties on the ARC Committee.

Members are expected to comply with IHPA's Disclosure of Interest Policy in relation to performance of their duties and at ARC Committee meetings. Members are provided with a copy of IHPA's Disclosure of Interest Policy upon appointment. The Policy is also available IHPA's website.

Induction

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

Performance and Assessment arrangements

The Chair of the ARC Committee, in consultation with the CEO, will initiate a review of the performance of the ARC Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the CEO) with appropriate input sought from the CEO, ARC Committee members, senior management, the internal and external auditors, the Executive Officer, Chief Financial Officer, and any other relevant stakeholders, as determined by the CEO.

The Chair of the ARC Committee will provide advice to the CEO and Pricing Authority on an external member's performance where an extension of the member's tenure is being considered.

Confidentiality

All proceedings of the ARC Committee, including papers submitted and presentations made, shall be kept confidential and will not be disclosed or released to any person other than IHPA staff and Pricing Authority members, except as required by law or as agreed by the CEO.

Review of Charter

The *ARC Committee Charter* will be reviewed as required. This review will include consultation with the CEO and Pricing Authority Chair.

Any substantive changes to the Charter will be recommended by the ARC Committee and formally approved by the CEO.

Resource Management Guide No. 202

[A guide for corporate Commonwealth entities on the role of audit committees as updated March 2020](#)