



**Independent Health and Aged Care Pricing Authority**

# **Audit, Risk and Compliance Committee Charter**

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## Introduction

The Chief Executive Officer (CEO) is the accountable authority for the Independent Health and Aged Care Pricing Authority (IHACPA) has established the Audit Risk and Compliance (ARC) Committee in compliance section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 17 of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule).

The Charter reflects the Department of Finance's guide to develop a model audit committee charter which complements the [Resource Management Guide 202 – Guide for corporate Commonwealth entities on the role of audit committees \(September 2021\)](#).

## Purpose

This Audit, Risk and Compliance Charter (the Charter) sets out the 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 IHACPA's accountability and control framework. The ARC Committee will also provide independent verification about the integrity of IHACPA's financial and performance reporting.

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

## Authority

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

- obtain any information it requires from an IHACPA employee or external party (subject to any legal obligation to protect information)
- discuss any matters with the external auditor, internal audit provider or other external parties (subject to confidentiality considerations)
- request the attendance of any IHACPA employee, including the CEO, at ARC Committee meetings
- obtain legal or other professional advice, as considered necessary to meet its responsibilities, at IHACPA'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
- conduct or authorise investigations into any matters within its scope of responsibility.

The ARC Committee has no executive powers in relation to the operations of IHACPA, however it does have a governance role over IHACPA's internal audit function.

## Membership

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

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

IHACPA'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.

IHACPA's CEO, Chief Financial Officer, General Counsel and Executive Director, Corporate Affairs, the Head of IHACPA's Internal Audit, or other management representatives will not be members but may attend meetings as observers/advisors or as determined by the Chair.

Representatives of the internal auditor and external auditor will be invited to attend meetings as observers.

## **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.

## **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.

## **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 IHACPA
- 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.

## 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

- IHACPA's annual financial statements and recommending whether the statements are suitable for signing by the CEO
- the adequacy of the CEO's budget, reporting framework and controls
- issues which may prevent the signing of IHACPA's financial statements or relate to non-compliance with relevant legislation and guidance
- any other matter relating to the CEO's obligations under the PGPA Act and/or other relevant legislation.

### Performance reporting

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

In order to undertake its performance audits the ARC Committee will, at a minimum review IHACPA's forthcoming corporate plan and the draft annual report for the year proceeding.

### Systems of risk oversight and management

Review and provide advice on the appropriateness IHACPA's risk oversight and management framework. In particular whether:

- identified risks and their treatments are consistent with the ARC Committee's understanding of IHACPA's operating context
- an appropriate approach has been followed in managing IHACPA's key risks including those associated with individual projects and programs
- management's key roles and responsibilities relating to risk management are clearly articulated
- the process for developing and implementing IHACPA's fraud control arrangements is consistent with the Commonwealth Fraud Control Framework, and that IHACPA has adequate processes for detecting, capturing and effectively responding to fraud risks.

## **Systems of internal controls**

### Internal control framework, by reviewing

- 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
- whether management has in operation relevant policies and procedures (e.g. accountable authority instructions, delegations/authorisations, a business continuity management plan).

### Compliance with legislation and policy, by reviewing

- the effectiveness of systems for monitoring compliance with legislation
- whether management has adequately considered legal and compliance risks as part of the IHACPA's risk management framework and fraud control framework
- management's processes for identifying and reporting substantial breaches of the PGPA Act and the PGPA Rule.

### Security compliance, by reviewing

- management's approach to maintaining an effective security system (including complying with the *Protective Security Policy Framework*).

### Internal audit coverage, by reviewing

- internal audit plans and the professional standards to be used by internal auditors in the course of carrying out IHACPA audits
- work programmes relating to internal and external audits
- responses to reports of internal and, as far as practicable, external audits
- reports of internal and external audits to identify material that is relevant to IHACPA, and advising the accountable authority about good practices.

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

## **Other functions**

The ARC Committee:

- will review and provide advice on the appropriateness of IHACPA's approach to establish business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.
- must satisfy itself that appropriate mechanisms are in place for the departmental secretary to be informed of all significant issues within the portfolio.
- must satisfy itself that IHACPA's management has taken steps to embed a culture that promotes the proper use and management of public resources and is committed to ethical and lawful conduct.
- must satisfy itself that IHACPA has appropriate mechanisms in place to review and implement, where appropriate, relevant Parliamentary Committee reports and external reviews of IHACPA, and recommendations arising from these reports and reviews.

## 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 and functions during the preceding year including determining whether IHACPA's internal control systems, financial and performance reporting are appropriate
- a summary of IHACPA's progress in addressing the findings and recommendations made in internal and external audit and parliamentary committee reports
- an overall assessment of IHACPA's risk, control and compliance framework, including details of any significant emerging risks or legislative changes affecting IHACPA; 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. Endorsed 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 IHACPA's annual financial statements and performance statements. Additional papers may be circulated to the ARC Committee for review out-of-session.

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

Members of the ARC Committee may meet with the internal 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 IHACPA 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.

The CEO (or their representative) and nominated management personnel, may attend the members only agency update to discuss key priorities and risks at the CEO and the Chairs discretion.

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.

## **Remuneration**

Members of the ARC Committee are eligible to receive sitting fees and payment for the expenses associated with their attendance at Committee meetings.

Fees are negotiated between the Member and the IHACPA and will be commensurate with the Members experience.

Members who are employed by the Commonwealth, a State or a Territory on a full-time basis are not, eligible for remuneration.

Members of the ARC Committee who are also members of the Pricing Authority are not eligible for remuneration<sup>1</sup>.

The daily fee for a formal meeting includes a component to cover normal preparation time, but where the Chair considers the period of preparation time involved is so unusual as to warrant further remuneration, recognition for that period may be included as business of the ARC Committee.

For non-meeting days, the amount of a daily fee paid is 20% of the daily fee for each hour, to a maximum of five hours per day, that the Member spends:

- a. on ARC Committee business; or
- b. in official travel time.

IHACPA Secretariat will administer payments to eligible members once the Chair has certified those members have attended a formal meeting or conducted the business of the Committee. The duration of the meeting is to be specified in the minutes of the meeting.

## **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 IHACPA management functions nor should IHACPA exert inappropriate influence over the work of the ARC Committee/s.

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<sup>1</sup> Refer to Remuneration Tribunal Decision (TRIM Ref: D23-22393)

## **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.

## **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 IHACPA.

Members must also refrain from undertaking 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 IHACPA 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 IHACPA.

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

On engagement and each year thereafter, ARC Committee members (or sub-committee(s) members) will provide written declaration (Appendix B) to the Chair for the provision to the CEO declaring any potential or actual conflicts of interest they may have in relation to their responsibilities.

Members are required to proactively manage conflicts of interest, declaring them as they arise. Re-declaration is required as circumstances change.

Members should consider past employment, consultancy arrangements and related party issues in making these declarations and the Chair should be satisfied that there are sufficient processes in place to manage any real or perceived conflict.

At the beginning of each Committee meeting, the Chair and members are required to declare any potential or actual conflicts of interest that may apply to specific matters on the meeting agenda.

Where a member believes that another member has not disclosed a material matter, they must advise the Chair. The Chair will then raise the issue in writing to the member concerned. If the member does not agree, the matter will be referred to the committee for consideration. If the committee does not agree, the Chair will determine if a conflict exists.

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) and any related papers will not be provided to the member. Details of potential or actual conflicts of interest declared by members of the Committee and action taken will be appropriately recorded in the minutes. This includes issue declared, the committee's decision and confirmation that the decision was complied with.

For further information refer to the IHACPA Disclosure of Material Personal Interests Policy for Committee Members at Appendix A.

## **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 General Counsel and Executive Director, Corporate Affairs, Chief Financial Officer, and any other relevant stakeholders, as determined by the CEO.

The Chair 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 IHACPA employees 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.

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

**Appendix A: Disclosure of Material Personal Interests Policy for Committee Members (attached separately)**

**Appendix B: Confidentiality, Conflict of Interest, Privacy and Secrecy Deed  
Poll**