National Health Funding Body

Audit and Risk Committee Charter

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Contents

AUDIT AND RISK COMMITTEE 1

FUNCTIONS.....3

Performance Reporting.....3

Financial Reporting.....3

System of Risk Oversight and Management 4

System of internal control.....5

Other Functions.....6

ADMINISTRATIVE ARRANGEMENTS.....8

1 AUDIT AND RISK COMMITTEE

1.1 Introduction

The National Health Funding Body (NHFB) Chief Executive Officer (CEO) has established the Audit and Risk Committee (the Committee) in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 17 of the *PGPA Rule - Audit Committee for Commonwealth entities* (the Rule).

1.2 Role

The Committee's role is to provide independent advice and assurance to the NHFB CEO on the agency's performance and financial reporting, risk oversight and management, and system of internal control.

This includes providing advice to the NHFB CEO and the Administrator on the operation, management and financial reporting of the National Health Funding Pool (NHFP). The Committee is not responsible for the executive management of these functions.

The Committee will engage with NHFB management in a constructive and professional manner in discharging its advisory responsibilities and formulating its advice to the NHFB CEO.

Members of the Committee are expected to understand and observe the legal requirements of the PGPA Act and the Rule. Members are also expected to:

- act in the best interests of the NHFB as a whole
- apply good analytical skills, objectivity and sound judgment
- express opinions constructively and openly, raise issues that relate to the Committee's responsibilities and pursue independent lines of enquiry
- provide advice that takes into account the NHFB's strategy and key risks
- contribute the time required to meet their responsibilities.

Committee Members must not use, or disclose, information obtained by the Committee except in meeting the Committee's responsibilities, or unless expressly agreed by the NHFB CEO.

The Committee will exercise a governance role in relation to the NHFB's audit and assurance program, subject to approval by the NHFB CEO.

1.3 Authority

The NHFB CEO authorises the Committee, in accordance with its role and responsibilities, to:

- obtain any information it needs from any official or external party (subject to any legal obligation to protect information)
- discuss any matters with the Australian National Audit Office (ANAO), or other external parties (subject to confidentiality considerations)
- request the attendance of any official, including the NHFB CEO, at Committee meetings
- obtain external legal or other professional advice, as considered necessary to fulfil its role, at the NHFB's expense, subject to approval by the NHFB CEO, or delegate (with such approval not to be unreasonably withheld).

1.4 Membership

The Committee comprises of up to four independent Members, including the Chair, and all appointments are made by the NHFB CEO. In accordance with subsection 17(4) of the PGPA Rule, all Members of the Committee must be persons who are not officials of the NHFB, and a majority of Members must be persons who are not officials of any Commonwealth entity.

Committee Members, taken collectively, will have a broad range of skills and experience relevant to the operations of the NHFB, including the functions of the Administrator of the National Health Funding Pool (the Administrator). At least one Member of the Committee will have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment.

Committee Members will be appointed for an initial period determined by the NHFB CEO. The Chair of the Committee will be appointed for a minimum of at least three years, with an option to extend. Members will normally be appointed for a specified period not exceeding three years after which they may be eligible for extension or re-appointment, following a formal review of their performance and subject to the complementary skills and experience of the other Members.

1.5 Remuneration

Committee Members will be remunerated for their service on the Committee. The level of remuneration will be determined by the NHFB CEO having regard to each Member's qualifications, knowledge, skills and experience, and the scope of work required. Remuneration will be reported in the NHFB's annual report as required by subsection 17AG(2A)(e) of the PGPA Rule, expressed as a GST inclusive amount (or $0 where no remuneration is received).

The NHFB CEO, Deputy CEO, Chief Financial Officer (CFO), other members of the NHFB Executive and the Administrator cannot be appointed as Members of the Committee, but may attend meetings as Observers.

A representative(s) of the ANAO will be invited to attend meetings of the Committee, as an Observer.

2 FUNCTIONS

The Committee is directly responsible and accountable to the NHFB CEO for the performance of their functions identified in this Charter. These may be revised, at any time, by the NHFB CEO.

2.1 Performance Reporting

In reviewing the appropriateness of the NHFB's performance reporting as a whole, the Committee is to review the NHFB's systems and processes for developing, measuring and reporting the achievement of the NHFB's performance.

In particular, the Committee will:

- satisfy itself that the NHFB's Portfolio Budget Statements and Corporate Plan include details of how the NHFB's performance will be measured and assessed
- satisfy itself that the NHFB's approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and Corporate Plan is sound, and has taken into account guidance issued by the Department of Finance
- satisfy itself that the NHFB has sound processes in place for the preparation of its Annual Performance Statement and its inclusion in the NHFB's Annual Report
- satisfy itself that the NHFB's proposed Performance Statement is consistent with the NHFB's financial information, including its financial statements that it proposes to include in the Annual Report.

2.1.1 Advising and Reporting to the NHFB CEO

The Committee is to provide written advice to the NHFB CEO on the appropriateness of the NHFB's annual performance statements, and performance reporting as a whole, including adherence to the PGPA Act and the Rule prior to the signing of the performance statements. Any specific areas of concern or suggestions for improvement should also be made.

2.2 Financial Reporting

In reviewing the appropriateness of the NHFB's systems and processes for financial reporting, the Committee is to:

- review the NHFB's financial statements and the NHFP financial statements for compliance with accounting standards and the PGPA Act and the Rule, having regard to any supporting guidance
- review the appropriateness of NHFB's Accountable Authority Instructions, financial delegations, procurement and contract management policies
- review the appropriateness of accounting policies and disclosures, including any significant changes to accounting policies
- review areas of significant judgement and financial statement balances that require estimation
- review significant or unusual transactions

- review sign-off by NHFB management in relation to the quality of the financial statements, internal controls and compliance
- review the auditor's judgments about the adequacy of the NHFB's accounting policies and the quality of the NHFB processes for the preparation of both the NHFB's financial statements and the NHFP's financial statements, through discussions with the ANAO
- review whether appropriate management action has been taken in response to any issues raised by the ANAO, including financial statement adjustments or revised disclosures
- review the processes and supporting systems in place designed to ensure that financial information included in the NHFB's annual report is consistent with the signed financial statements.

2.2.1 Advising and reporting to the NHFB CEO

The Committee is to provide a written statement to the NHFB CEO on the appropriateness of the NHFB's financial reporting and a recommendation in relation to the signing of the financial statements for the financial year.

2.2.2 Interaction with the External Auditor

The Committee will act as a forum for regular communication between the NHFB management, the Administrator and the ANAO in its capacity as the external auditor of the NHFB. This is addressed further in Section 4 of this Charter.

2.3 System of Risk Oversight and Management

In reviewing the appropriateness of the NHFB's system of risk oversight and management, the Committee is to:

- review whether NHFB management has in place a current and sound enterprise risk management framework and associated internal controls for effective identification and management of the NHFB's and Administrator's risks
- satisfy itself that management has followed a sound approach in managing the NHFB's highest risks including those associated with individual projects
- assess the impact of the NHFB's risk management framework on the NHFB's control environment
- review the process of developing and implementing the NHFB's fraud and corruption control arrangements and satisfy itself that the NHFB has appropriate processes and systems in place to detect, capture and effectively respond to fraud and corruption risks
- review reports on fraud and corruption from management that outline any significant or systemic allegations of fraud and corruption, the status of any ongoing investigations and any changes to identified fraud and corruption risk in the NHFB
- satisfy itself that the NHFB has appropriate systems and procedures in place to identify the NHFB's key assurance arrangements and is reviewed annually.

2.3.1 Advising and Reporting to the NHFB CEO

The Committee is to provide advice to the NHFB CEO on the appropriateness of NHFB's system of risk oversight and management on an annual basis.

2.4 System of internal control

2.4.1 Internal control framework

In reviewing the appropriateness of the NHFB's system of internal control, the Committee is to:

- review NHFB management's approach to maintaining an effective internal control framework; this framework should include controls in relation to functions performed by external parties such as contractors and advisers;
- review NHFB's HR delegations, and associated bullying and harassment policies
- satisfy itself that appropriate processes are in place to assess the entity's compliance with laws, regulations and associated government policies
- satisfy itself that management periodically assesses the adequacy of the NHFB information security arrangements.

2.4.2 Legislative and policy compliance

In reviewing the NHFB's legislative and policy compliance, the Committee is to:

- review the effectiveness of the system for monitoring NHFB's compliance with relevant laws, regulations and associated government policies with which the NHFB must comply
- determine whether NHFB management has appropriately considered legal and compliance risks as part of the NHFB's enterprise risk management plan.

2.4.3 Audit

In reviewing the NHFB's **audit activities,** the Committee is to:

- review the proposed audit coverage, ensuring that it takes into account the NHFB's key risks, and recommend approval of the Annual Work Plan by the NHFB CEO
- review all audit reports and provide advice to the NHFB CEO on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.

In reviewing the NHFB's **audit and assurance work program**, the Committee is to:

- ensure appropriate authority, access and reporting arrangements are in place
- advise the NHFB CEO on the adequacy of audit resources to carry out its responsibilities such as the completion of the agreed audit and assurance work plan
- coordinate, to the extent possible, the audit work programs and other assurance or review functions
- monitor management's implementation of recommendations arising from audit and assurance activities.

2.4.4 Business Continuity and Disaster Recovery Management

In reviewing the NHFB's business continuity and disaster recovery arrangements, the Committee is to:

- satisfy itself that a sound approach has been followed in establishing the NHFB's business continuity and disaster recovery planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

2.4.5 Delegations

In reviewing the NHFB's delegations, the Committee is to:

- review whether appropriate policies and associated procedures are in place for the management, exercise of delegations and authorisations and periodic review of the exercise and appropriateness of those delegations.

2.4.6 Ethical and lawful conduct

In reviewing ethical and lawful conduct within the NHFB, the Committee is to:

- assess whether NHFB 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.

2.4.7 Advising and reporting to the NHFB CEO

The Committee is to provide advice to the NHFB CEO on the appropriateness of NHFB's system of internal control on an annual basis.

2.5 Other Functions

2.5.1 Parliamentary Committee reports and external reviews

In reviewing the activities of the NHFB in relation to parliamentary committee reports and external reviews, the Committee is to:

- satisfy itself that the agency has appropriate mechanisms in place to review and implement, where appropriate, relevant parliamentary committee reports and external reviews and evaluations of the NHFB, and recommendations arising from these reports and reviews.

2.5.2 Administration

In reviewing the NHFB's administration, the Committee is to:

- review this Charter annually and prepare an Annual Work Plan that outlines the activities to be undertaken to achieve the Committee's functions that will be provided to the NHFB CEO for information
- conduct an annual self-assessment of the performance of the Committee (see section 5.7).

3 REPORTING

The Committee will, as often as necessary, and at least once a year, report to the NHFB CEO on its operation and activities during the year and confirm to the NHFB CEO that all functions outlined in this Charter have been satisfactorily addressed.

The Committee may, at any time, report to the NHFB CEO 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 NHFB CEO.

4 ENGAGEMENT WITH THE ANAO

In undertaking its role, and consistent with Section 1.3 of this Charter, the Committee will engage with the ANAO, as the NHFB's external auditor, in relation to the ANAO's financial statement and performance audit coverage.

In particular, the Committee will:

- provide input on planned ANAO financial statement and performance audit coverage
- monitor NHFB management's responses to all ANAO financial statement management letters and performance audit reports, including the implementation of audit recommendations
- provide advice to the NHFB CEO on action to be taken on significant issues raised in relevant ANAO reports or better practice guides
- meet privately with the ANAO at least once per year if required.

The Committee will monitor the audit and assurance activities of the ANAO to identify areas, issues or trends which may be relevant to the functions and operations of the NHFB.

5 ADMINISTRATIVE ARRANGEMENTS

5.1 Meetings

The Committee will meet at least four times per year. One or more special meetings may be held at the request of the Chair of the Committee to review the NHFB's and Administrator's annual financial statements and performance statements or to meet other specific responsibilities of the Committee.

The Chair of the Committee is required to call a meeting if asked to do so by the NHFB CEO and decide if a meeting is required if requested by another Member or the ANAO.

5.2 Planning

The Committee will develop an Annual Work Plan that includes the dates, location, and proposed agenda items for each meeting for the forthcoming year, and that covers all the functions and responsibilities outlined in this Charter.

5.3 Attendance at meetings and quorum

A quorum will consist of the majority of Committee Members. The quorum must be in place at all times during the meeting. If circumstances prevent the Chair of the Committee from attending a meeting, the Chair may nominate another Member to perform the role of Chair of the Committee.

In addition to the independent members of the Committee there will be regular attendance by the CEO, Deputy CEO, CFO and Secretariat of the Committee, or their nominee, together with the Administrator.

5.4 Secretariat

The NHFB CEO, in consultation with the Chair of the Committee, will provide adequate resources to provide secretariat support to the Committee.

The Secretariat will ensure:

- the agenda for each meeting is approved by the CEO
- the agenda and supporting papers are circulated at least one week prior to the scheduled meeting
- the minutes of the meeting are prepared and maintained.

Minutes must be circulated and reviewed by all Members and Observers of the Committee and, within ten working days of the meeting.

5.5 Conflicts of Interest

Once each year, Members of the Committee will provide written declarations, to the NHFB CEO declaring any actual or perceived conflicts of interests they may have in relation to their responsibilities. For the avoidance of doubt, any such declaration by a Member must include a declaration of any material personal interest which a Member may have in relation to their responsibilities.

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

At the beginning of each Committee meeting, Members are required to declare any actual or perceived conflict of interests that may apply to specific matters on the meeting agenda. Where required by the Chair of the Committee, a Member with an actual or perceived conflict of interest will be excused from the meeting or from the Committee's consideration of the relevant agenda item(s). The Chair of the Committee is also responsible for deciding, in consultation with the NHFB CEO where appropriate, if he/she should excuse themselves from the meeting or from the Committee's consideration of the relevant agenda item(s). Details of any actual or perceived conflicts of interests declared by the Chair of the Committee and other Members, and actions taken, will be appropriately recorded in the minutes.

5.6 Induction

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

5.7 Review of Performance

The Chair of the Committee, in consultation with the NHFB CEO, will undertake a review of the performance of the Committee at least once each year. The review will be conducted on a self-assessment basis. The outcomes of this assessment will be reported to the NHFB CEO.

A second survey will be coordinated by the NHFB Secretariat and include input from the CEO, Deputy CEO, Administrator of the National Health Funding Pool, NHFB Executive and ANAO. The survey will be based on Section 3.7 of the Guide for non-corporate Commonwealth entities on the role of audit committees - Reviewing and assessing committee performance.

The Chair of the Committee will provide advice to the NHFB CEO on an external Member's performance where an extension of the Member's tenure is being considered.

5.8 Review of Charter

At least once a year the Committee will review this Charter. Any substantive changes to the Charter will be recommended by the Committee and formally approved by the NHFB CEO.

5.9 Annual Report Disclosure

In accordance with subsection 17AG(2A) of the PGPA Rule, the NHFB's annual report must include the following information in respect of the Committee for each reporting period:

- a direct electronic address (hyperlink) to this Charter
- the name of each Member during the reporting period
- the qualifications, knowledge, skills or experience of each Member
- each Member's attendance at Committee meetings during the reporting period (expressed against total meetings held), and
- the remuneration of each Member (GST inclusive, or $0 where no remuneration is received).

The NHFB Secretariat is responsible for coordinating collection of this information and ensuring it is included in the annual report.