

**NATIONAL HOUSING FINANCE
AND INVESTMENT CORPORATION
BOARD AUDIT AND RISK
COMMITTEE CHARTER**

September 2020

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DOCUMENT REVIEW AND APPROVAL

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BOARD AND COMMITTEE APPROVAL

VERSION ID	DATE	APPROVER
1.0	6 August 2018	Board
1.1	5 June 2019	Audit and Risk Committee
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1.2	1 September 2020	Board

Purpose, Role and Functions

The Board of the National Housing Finance and Investment Corporation (NHFIC) has established an Audit and Risk Committee. As its name suggests, the purpose of the Audit and Risk Committee is twofold.

Audit

The Board of the National Housing Finance and Investment Corporation (NHFIC) has established an Audit and Risk Committee in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and PGPA Rule section 17 – Audit Committee for Commonwealth entities and the duty imposed on the Board under section 16 of the PGPA Act to establish and maintain a system of risk oversight and management. Its role is to provide independent assurance to the Board.

Pursuant to section 17 of the PGPA Rule, the Audit and Risk Committee's primary function is to review the appropriateness of the Board's:

- financial reporting;
- performance reporting;
- system of risk oversight and management; and
- system of internal control for NHFIC.

The Audit and Risk Committee is not responsible for the executive management of these functions.

In addition to its primary functions under the PGPA Rule, or to complement them, the Audit and Risk Committee will:

- make recommendations to the Board on the appointment, assessment and removal of NHFIC's internal auditors, and oversee their independence;
- annually review and approve NHFIC's external and internal audit fees, plans and their scope; and
- provide an effective forum for communication between the NHFIC's Board, NHFIC's management and NHFIC's internal and external auditors.

Risk

In addition to its audit functions under the PGPA Act and Rule, the Audit and Risk Committee has also been established to engage in the related task of reviewing the risk management and engagement practices of the NHFIC.

This additional purpose of the Audit and Risk Committee reflects the important role of this committee has in supporting the Board to manage and engage with risk. This role necessarily overlaps with, and complements, the Committee's audit-related functions.

The Committee will be responsible for:

- reviewing the appropriateness of the NHFIC's system of risk oversight and management and

- making recommendations to the Board on ways in which the risk culture and risk management behaviours across all levels of the NHFIC may be improved.

More specifically, the Audit and Risk Committee will:

- review the content of the NHFIC's risk management policy and framework;
- review the NHFIC's compliance with, and application of, the risk management policy and framework;
- monitor, and provide recommendations in respect of the NHFIC's risk appetite, tolerance, and system of oversight;
- monitoring the NHFIC's risk management programs relating to the specific areas of:
 - a. business continuity and disaster recovery
 - b. fraud control
 - c. workplace health and safety
 - d. cybersecurity; and
- identifying opportunities to enhance consistency across the NHFIC, including more effective ways of managing similar risks, or categories of risk, from an entity-wide perspective.

Authority

The NHFIC Board authorises the Audit and Risk Committee, within its responsibilities, to:

- obtain any information it requires from any official 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 official, including members of the Board, at committee meetings, and
- obtain legal or other professional advice at the entity's expense, as considered necessary to meet its responsibilities.

Membership

The Audit and Risk Committee will consist of at least 3 members, the majority of which must not be employees of the NHFIC (noting that a person engaged primarily for the purpose of being a member of the Audit and Risk Committee will not be treated as an employee of NHFIC for this purpose). All members of the Audit and Risk Committee should have appropriate qualifications, knowledge, skills and experience to assist the Audit and Risk Committee to perform its functions.

In accordance with the PGPA Rule, the Chair of NHFIC's Board, NHFIC's Chief Financial Officer and NHFIC's Chief Executive Officer must not be members of the Audit and Risk Committee.

The Board will appoint Audit and Risk Committee members. Appointment of Audit and Risk Committee members will be subject to rotation as determined by the Board.

The Board will appoint one of the members of the Audit and Risk Committee as Chair of the Audit and Risk Committee. The Audit and Risk Committee will manage succession planning for the Audit and Risk Committee for adoption by the NHFIC's Board.

Whenever possible, members designate will attend Audit and Risk Committee meetings during a transition period prior to the retirement of the member that they will replace.

Any NHFIC Board member is welcome to attend Audit and Risk Committee meetings. However, unless they are a member of the Audit and Risk Committee, they will not be entitled

to vote.

Participation of non-members

NHFIC's internal and external auditors and NHFIC's employees may attend (but will not be entitled to vote at) Audit and Risk Committee meetings.

NHFIC's Chief Executive Officer and Chief Financial Officer are expected to attend (but will not be entitled to vote at) Audit and Risk Committee meetings, together with such other members of NHFIC's management as the Audit and Risk Committee determines.

Duties and responsibilities

The Audit and Risk Committee will in relation to the following:

(a) systems of risk oversight and management

- review whether management has in place a current and sound enterprise risk management framework and policy and associated internal controls for effective identification and management of the business and financial risks, including fraud.
- satisfy itself that the current areas of greatest financial and operational risk to NHFIC have been identified and that NHFIC's management are effectively managing the risks.
- review the process of developing and implementing NHFIC's fraud control arrangements and satisfy itself that the entity has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks.
- satisfy itself that effective systems of accounting, administrative and operational controls are in place to manage NHFIC's financial risk so that timely and meaningful financial statements are available to NHFIC's stakeholders.
- satisfy itself that management has considered controls regarding information security and management, work health and safety, business continuity and other, non-financial, risks appropriately.

(b) financial reporting

- review NHFIC's annual financial statements and recommend acceptance to NHFIC's Board.
- review the appropriateness of NHFIC's accounting policies, practices and areas of significant judgment in the light of relevant laws, accounting standards and principles.
- satisfy itself that the relevant issues relating to NHFIC's dividend and capital reserve policy have been raised for consideration by NHFIC's management to NHFIC's Board.

(c) performance reporting

- review NHFIC's annual performance statement and recommend acceptance by NHFIC's Board.
- review the NHFIC's systems and procedures for assessing and reporting the achievement of the entity's performance against measures established in the Portfolio Budget Statements and Corporate Plan.

(d) system of internal control, including legislative and policy compliance

- monitor NHFIC's compliance with obligations under the PGPA Act, and any other relevant laws.
- monitor NHFIC's compliance with policies and controls approved by NHFIC's Board.

- monitor changes of significance to NHFIC in relation to the various laws, regulations, accounting policies and regulatory / reporting requirements that apply to NHFIC.

(e) an efficient and effective audit function

- review the audit philosophy adopted by NHFIC's internal and external auditors and their systems and procedures.
- review the proposed internal audit work program to ensure coverage takes into account NHFIC's key risks and recommending approval of the internal audit work plan by the Board.
- review and assess the findings of NHFIC's internal and external auditors and the action taken and the timetable proposed by NHFIC's management in response to those findings.
- review, at least annually, the scope, results and performance of NHFIC's external and internal auditors.

(f) other responsibilities

- commission such special audits or investigations for NHFIC as may be necessary;
- develop the Audit and Risk Committee's annual work plan, detailing actions to be taken to perform the Committee's functions and the provision of advice to the Board;
- perform any other tasks NHFIC's Board may from time to time authorise; and
- determine whether to approve the attendance of ANAO representatives or consultants undertaking any non-audit consultancy work for the NHFIC at NHFIC Audit and Risk Committee meetings in an advisory capacity.

The Audit and Risk Committee will have a discussion with NHFIC's external auditors and internal auditors, at least once a year, without members of NHFIC's management in attendance. The Audit and Risk Committee should have input into NHFIC's internal audit function's work program that is presented to the Board for approval.

The Audit and Risk Committee will be entitled to call upon such expert advice it determines is appropriate to enable the Audit and Risk Committee to satisfy its responsibilities and meet its objectives.

Compliance with NHFIC Policies

Members of the Audit and Risk Committee must comply with NHFIC's policies in performing their functions, as required by the Board.

Meetings

The Audit and Risk Committee will hold at least three meetings per year, or such greater number as the Chair of the Audit and Risk Committee may determine. A member of the Audit and Risk Committee may attend a meeting via telephone rather than in person.

At a meeting of the Audit and Risk Committee, a quorum consists of a majority of the members. The Chair of the Audit and Risk Committee will approve the agenda for the Audit and Risk Committee's meetings, and any member may suggest items for consideration. Briefing materials will be provided to the Audit and Risk Committee as far in advance of meetings as practicable.

Minutes

The NHFIC corporate secretary will keep minutes of Audit and Risk Committee meetings. The

minutes, or relevant extracts from them, will be provided to NHFIC's internal and external auditors.

Internal audit - accountability

NHFIC's internal auditors are accountable to the Audit and Risk Committee.

While day to day issues under the contract with NHFIC's outsourced internal auditors will be handled by NHFIC's management, NHFIC's internal auditors will have direct access to the Audit and Risk Committee at any time.

External auditors

The Audit and Risk Committee is the channel to NHFIC's Board for communication with NHFIC's external auditors, the ANAO, and any consultants engaged by the ANAO.

Access to the Audit and Risk Committee

Any employee of NHFIC may have access to the Chair of the Audit and Risk Committee in relation to any matter within the Audit and Risk Committee's functions.

Access to management

Any access to NHFIC's employees and business records required by the Audit and Risk Committee in order to fulfil its functions will be arranged through NHFIC's Chief Executive Officer or Chief Financial Officer.

Reporting

The Chair of the Audit and Risk Committee will provide a report to NHFIC's Board following each Audit and Risk Committee meeting. In addition, the Audit and Risk Committee will provide:

- copies of its minutes to NHFIC's Board;
- a report annually to NHFIC's Board on the trends/issues that have arisen in the Audit and Risk Committee's work over the previous twelve months; and
- such additional reporting as NHFIC's Board may require.

Review of performance

The Audit and Risk Committee will review the scope and effectiveness of its activities at least every two years. The review will incorporate the input from relevant stakeholders and the Chair of the Audit and Risk Committee will provide a report on the review to NHFIC's Board.

Review of charter

The Audit and Risk Committee will review its performance against this charter annually and will review the terms of this charter at least biennially.

Conflicts of interest

Annually, members of the Audit and Risk Committee will provide written declarations, through the Chair, to the NHFIC Board declaring any conflicts of interest they may have in relation to their responsibilities. Further details of the procedures to manage committee members' conflicts are set out in the 'Board and Committee Members Disclosure of Interest Policy'.