



Finance, Audit and Risk Management Committee

North West Hospital and Health Board Committee

Terms of Reference

(Charter)



North West Hospital and Health Board

DOCUMENT INFORMATION

This document is owned by the Chair of the Finance, Audit and Risk Management Committee.

It will be interchangeably referred to as Committee Terms of Reference or the Charter.

SIGN OFF

Endorsed by:

Sue Belsham
Chief Executive Officer
North West Hospital and Health Service

Richard Stevens
Chair
Finance, Audit and Risk Management Committee

/ /

/ /

Approved by:

Paul Woodhouse
Chair
North West Hospital and Health Service Board

/ /

REVIEW DATE

This document will be reviewed every year from date of approval. The next review will be within 1 month of 31st of October 2015.



1. BACKGROUND

- 1.1 The North West Hospital and Health Service Board (Board) established the Finance, Audit and Risk Management (FARM) Committee on 6 November 2012, through endorsement by the NWHHS Board of merging the NWHHS Finance and Audit Committees formed in July 2012 as part of its governance framework.
- 1.2 This document establishes the authority and responsibility of the Committee so that it may function effectively.

2. PURPOSE

- 2.1 The role of the Committee is to:
 - a) Oversee the financial management of the Health Service in accordance with statutory obligations, and report to the NWHHS Board. The scope of the financial management activities will include the implementation of the Financial Management Plan, the implementation of the Health Service Annual Budget, and relevant financial reporting requirements;
 - b) Oversee the identification and implementation of efficiencies and innovation in the areas of Finance, Audit and Risk Management in accordance with the Blueprint for Better Health Care in Queensland.
- 2.2 Provide independent assurance and assistance to the NWHHS Board regarding:
 - a) Risk, control and compliance frameworks operating within NWHHS;
 - b) The agency's external accountability responsibilities as prescribed in the Financial Accountability Act 2009 and subordinate legislation (including the Financial Management Performance Standard 2009), Statutory Bodies Financial Arrangements Act 1982 and subordinate legislation, and the Hospital and Health Boards Act 2011; and
 - c) Other relevant matters as determined by the NWHHS Board.
- 2.3 The Committee does not replace or replicate established management responsibilities and delegations, the responsibilities of other executive management groups within NWHHS, or the reporting lines and responsibilities of either internal audit or external audit functions.

The Committee will brief the Board out-of-session on very high or extreme financial risks as they emerge.

3. REPORTING

The Committee will:

- Provide prompt and constructive reports on its findings directly to the NWHHS Board, particularly when issues are identified that could present a material risk or threat to the Health Service.
- Submit a report to each NWHHS Board meeting outlining relevant considered matters as well as the Committee's opinions, decisions and recommendations.
- Circulate minutes of the Committee meetings to NWHHS Board and invited guests as appropriate.
- Prepare an annual report to NWHHS Board summarising the performance and achievements for the previous year for inclusion in NWHHS Annual Report. An interim program of the planned activities for the coming year is also to be provided.

4. AUTHORITY AND INDEPENDENCE

4.1 The Committee has no executive powers, unless delegated to it by the NWHHS Board.

4.2 The Committee is a committee of the NWHHS Board and is directly responsible to the Board. In discharging its responsibilities, the committee has the authority to:

- a) Conduct or authorise investigations into matters within its scope of responsibility.
- b) Access information, records and personnel of NWHHS for such purpose.
- c) Request the attendance of any employee, including executive staff, at Committee meetings, through the Health Service Chief Executive Officer
- d) Conduct meetings with NWHHS clinical service auditors and experts as necessary.
- e) Seek advice from external parties, as necessary

5. RESPONSIBILITIES OF THE COMMITTEE

5.1 The responsibilities of the Committee include:

5.1.1 Financial

- a) Ensuring alignment of budgeted financial activity with the core planning documents of the NWHHS. This will include the Service Agreement with the System Manager, the Health Service Plan, the NWHHS Strategic Plan, the Financial Management Plan and will accommodate other Government priorities as they emerge;
- b) Approving adjustments to budgets and reallocation of resources (after consultation with business areas);
- c) Formulating and monitoring the realisation of strategies for improving the Health Service's financial position;

- d) Reviewing the Health Service's financial performance against the Strategic Plan, the Capital Investment Strategic Plan and the System Manager Service Agreement;
- e) Directing the undertaking of specific financial analysis, as and when required;
- f) Ensuring appropriate management and monitoring of financial risks as legislated;
- g) Ensuring timely, accurate, sufficient reporting is provided as legislated, as required by the NWHHS Board and as required by the NWHHS Chief Executive; and
- h) Escalating and briefing of very high or extreme risks (as they emerge) to the Board either at Board meetings or out-of-session.

5.1.2 Audit

(a) Financial Statements:

- Reviewing the accounting policies adopted by the agency to ensure the accounting policies adopted are appropriate and relevant to the agency and its specific circumstances.
- Reviewing the appropriateness of significant assumptions and critical judgements made by management, particularly around estimations which impact on reported amounts of assets, liabilities, income and expenses in the financial statements.
- Reviewing the financial statements for compliance with prescribed accounting and other requirements.
- Reviewing, with management and the external auditors, the results of the external audit and any significant issues identified.
- Questioning and seeking full and adequate explanations for any unusual transactions and their presentation in the financial statements.
- Analysing the financial performance and financial position and seek explanation for significant trends or variations from budget or forecasts.
- Ensuring that written assurance with respect to the accuracy and completeness of the financial statements is given by management.

(b) Risk Management:

- Reviewing the risk management framework for identifying, monitoring and managing significant risks, including fraud.
- Satisfying itself that insurance arrangements are appropriate for the risk management framework, where appropriate.
- Liaising with management to ensure there is a common understanding of the key risks to the agency. These risks will be clearly documented in a risk register which will be regularly reviewed to ensure it remains up-to-date.
- Assessing and contributing to the audit planning processes relating to the risks and threats to the agency.

- Reviewing effectiveness of agency's processes for identifying and escalating risks.
- (c) Internal Control
- Reviewing, through the internal and external audit functions, the adequacy of the internal control structure and systems, including information technology security and control.
 - Reviewing, through the internal and external audit functions, whether relevant policies and procedures are in place and up-to-date, including those for the management and exercise of delegations, and whether they are complied with.
 - Reviewing, through the Chief Finance Officer and Finance Manager, whether the financial internal controls are operating efficiently, effectively and economically.
- (d) Performance Management
- Reviewing the agency's compliance with the performance management and reporting requirements of the Financial Accountability Act 2009, the Financial and Performance Management Standard 2009 and the 'Annual Report Requirements for Queensland Government Agencies'.
 - Reviewing whether performance management systems in place reflect the agency's role/purpose and objectives (as stated in its strategic plan).
 - Identifying that the performance reporting and information uses appropriate benchmarks, targets and trend analysis.
- (e) Internal Audit
- Reviewing the budget, staffing and skills of the internal audit function.
 - Reviewing and approving the internal audit plan, its scope and progress, and any significant changes to it, including any difficulties or restrictions on scope of activities, or significant disagreements with management.
 - Reviewing the proposed internal audit strategic plan and annual plan to ensure they cover key risks and that there is appropriate co-ordination with the external auditor.
 - Reviewing the findings and recommendations of internal audit and the response to them by management.
 - Reviewing the implementation of internal audit recommendations accepted by management.

- Ensuring that there is no material overlap between the internal and external audit functions.

(f) External Audit

- Consulting with external audit on the function's proposed audit strategy, audit plan and audit fees for the year.
- Reviewing the findings and recommendations of external audit (including from performance audits) and the response to them by management.
- Reviewing responses provided by management to ensure they are in line with the agency's risk management framework.
- Reviewing the implementation of external audit recommendations accepted by management and where issues remain unresolved ensure that satisfactory progression is being made to mitigate the risk associated with audit's findings.

(g) Compliance

- Determining whether management has considered legal and compliance risks as part of the agency's risk assessment and management arrangements.
- Reviewing the effectiveness of the system for monitoring the agency's compliance with relevant laws, regulations and government policies.
- Reviewing the findings of any examinations by regulatory agencies, and any auditor observations.

6. MEMBERSHIP

Membership of the Committee consists of the following:

6.1 Standing Members* (voting)

NWHHS Board Member (Chair)

At least one NWHHS Board Member

NWHHS Board Chair (ex-officio)

Independent Member, Financial, where need and skills are identified (To be appointed by the Board and the appointment minuted.)

*NWHHS Board Members: Richard Stevens (Chair); Rowena McNally; Christopher Appleby;

Board Chair - Mr Paul Woodhouse

Independent member - Ms Karen Read, CPA

6.2 Invited Participants[^] and Guests (non-voting)

All members of the Board are invited to attend each meeting of the Committee.

A representative from the Queensland Audit Office is invited to attend each meeting.

Other Guests are invited to attend subject to approval by the Chair.

If an Invited member of the Committee is unable to attend due to leave, the person acting in their place (if there is one) should attend the Committee to represent the area of service and for professional development of the person.

[^] Invited members: NWHHS CEO; NWHHS CFO; NWHHS COO; NWHHS Finance Manager; Corporate Secretary

6.3 New Members

- a) As a form of induction, it is the responsibility of the Committee Chair to provide new Standing Members and Invited Members with a copy of the following documents prior to their first meeting:
- b) the Terms of Reference (if not already supplied)
- c) the minutes of the last three meetings of the Committee (where appropriate)
- d) A person acting in any of the above positions is considered to be a member of the Committee for the term of the acting arrangement, and will require induction as per new members.
- e) Only the Board may appoint Standing Members. The Chair may invite guests as appropriate.
- f) If the Chair is temporarily unable to perform his/her duties (e.g. they are unable to attend a meeting) he or she will nominate another Board member on the Committee to act as Chair.

6.4 Relationships

Internal Audit

The committee will act as a forum for internal audit and oversee its planning, monitoring and reporting processes. This process will form part of the governance processes that ensure that NWHHS internal audit function operates effectively, efficiently and economically.

- The internal auditor will have a standing invitation to attend committee meetings.
- The Chair and the CFO will hold executive sessions with internal audit at least twice per year.

External Audit

The Committee has no power of direction over external audit or the manner in which the external audit is planned or undertaken, but will act as a forum for the consideration of external audit findings and will ensure that they are balanced with the views of management.

- The external auditor will have a standing invitation to attend committee meetings.
- The Committee Chair and an independent member will hold executive sessions with external audit at least twice per year.

Other Executive Management committees:

The FARM Committee shall liaise with the other Board Committees as required to ensure:

- That NWHHS' statutory and operational responsibilities are met.
- That there is no material duplication of functions and duties of the groups.
- Frank and meaningful interchange of information occurs.

7. MEETINGS

- 7.1 The Committee will meet on a quarterly basis prior to Mount Isa based Board meetings or as required by the Board or the Committee Chair. The meeting will be held on the day prior to the Board Meeting.
- 7.2 Meetings will be conducted at a place determined by the Committee Chair.
- 7.3 Meetings will be conducted on a formal basis and be minuted.
- 7.4 A quorum consists of the Committee Chair (or Acting Chair) and at least one Standing Member.
- 7.5 There will be no provision to appoint proxies to attend meetings on behalf of Standing Members.
- 7.6 The invitation and attendance of guests must be by approval of the Committee Chair prior to the meeting.

8. AGENDA

- 8.1 An agenda is to be prepared for meetings, in consultation with the Committee Chair, with relevant issues papers attached and distributed to members at least one week prior to the meetings.
- 8.2 Agenda items may be considered out of session by electronic or other means and should be minuted and provided to the next available formal meeting.

9. MINUTES

- 9.1 Draft minutes of the meeting must be forwarded to members within one week following the meeting.
- 9.2 The draft Minutes must record the following:
- Date and location of meeting
 - Attendees, apologies, proxies
 - Agenda items discussed
 - Action items (including responsibility and timeframe)
 - Decisions taken (including rationale for decisions)
- 9.3 Minutes of the preceding meeting must be confirmed at each meeting, which includes a review of the action items outstanding.
- 9.4 The draft Minutes must be provided to the Committee Chair for clearance prior to general circulation.
- 9.5 Once cleared, the draft Minutes of the meeting will be emailed to all members.

10. SECRETARIAT

- 10.1 Secretariat support will be provided by Financial Services Branch
- 10.2 The Secretariat will be responsible for the preparation and circulation of the meeting agenda (and supporting papers) and minuting meetings in conjunction with the Chief Finance Officer and Committee Chair.
- 10.3 The Secretariat will ensure that electronic copies of all relevant documents to the Committee (including agendas, position papers and minutes) are saved in a secure electronic directory on the NWHHS network.

11. SUB-COMMITTEES

- 11.1 The Committee may create sub-committees at any time to perform specific tasks or responsibilities. Terms of Reference, membership, reporting arrangements and sunset arrangements must be specified at time of establishment.
- 11.2 The Committee Chair must discuss the requirement, function and term for a proposed subcommittee with the Chair of the NWHHS Board prior to the formal establishment of the subcommittee.



12. TERMINATION

- 12.1 The Committee shall remain in existence and in compliance with this Terms of Reference until such time as it is dissolved by the Board.

13. DEFINITIONS

'Standing Member' - A specific position approved and appointed by the Board to participate on the Committee each meeting.

'Invited Participant' -A specific person approved by the Committee Chair to attend each committee meeting at their discretion.

'Guest' -A specific person requested by the Committee Chair to attend and provide expertise to specific meetings.