

1. Purpose:

The Finance, Audit and Risk (FAR) Committee is a Board Sub-Committee responsible for oversight of, and advice and recommendations to the Board of Directors on:

- Financial management, (including asset management)
- Risk management, (including compliance management) and
- Internal and external audit.

2. Objectives:

Financial Management

- Ensures appropriate policies, procedures and financial management practices are in place and regularly reviewed, including the application of contemporary accounting policies.
- Fosters an ethical culture of reporting, transparency and accountability.
- Facilitates contemporary management reporting based on IFRS (International Financial Reporting Standards).
- Oversees the development and annual review of the Instrument of Delegation.
- Reviews and analyses the monthly financial statements including variance reporting.
- Reviews and assesses any significant estimates and judgments in financial reports.
- Monitors performance against the annual expenditure budget and strategy.
- Monitors performance against the annual revenue budget and strategy.
- Monitors regular forecasting of midyear and end year results.
- Monitors Cash Management including forecasting.
- Oversees the development of, and recommends approval to the Board of a three year Capital Plan incorporating IT, Fleet, Infrastructure and Equipment.
- Recommends Capital Purchasing to the Board as per Instrument of Delegation.
- Ensures the delivery of the Annual Basic Asset Management Plan to DHHS.
- Ensures appropriate management of Capital expenditure.
- Receives reports regarding major Capital projects via relevant Project Control Groups.
- Ensures the Executive are exercising due care, diligence and skill in relation to the financial management.
- Recommends to the Board adoption of the annual budget.
- Recommends to the Board signing of the annual financial statements.

Internal and External Audit

- Ensures the FAR committee meets the requirements of the Internal Audit Charter (refer attachment 1).
- Communicates the FAR Committee's expectations to the internal auditor.
- Reviews, assesses and recommends to the Board, the scope of all internal audits and the annual audit plan.
- Facilitates systems to monitor and evaluate the effectiveness of the internal auditor.
- Seeks the views of both internal and external auditors in relation to estimates, judgments or accounting policies. This opinion should include the appropriateness and not just the acceptability of the estimate, judgment or accounting policy review; the opinion should also assess the processes used by management to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting of financial information.
- Reviews and assesses information from Internal and External Auditors that may affect the quality of financial reports.

- Reviews and assesses audit documentation and reports to and from regulators and makes recommendations to the Board regarding audit.
- Reviews the scope of the external audit including identified risk areas and any additional agreed procedures.
- Reviews the Internal and External auditor's audit fee, to be satisfied that an effective, comprehensive and complete audit can be conducted for that fee.
- Reviews and monitors management's responsiveness to Internal and External auditor's findings and recommendations.
- Reviews with the auditor any significant disagreements between the External auditor and Management.
- Reviews all representation letters signed by Management, and ensures that the information provided is complete and appropriate.
- Raises any issues regarding the independence of agents or staff appointed by the auditors.
- Provides an effective means of communication between the Internal and External auditor, Management and the Health Service.
- Reviews all relevant VAGO reports, assesses the impact on Bass Coast Health (BCH), and ensures an appropriate management response.

Risk Management

- Recommends to the Board the BCH's risk management framework.
- Ensures there are effective systems in place for risk management including assessment of internal processes and documentation for determining, monitoring and assessing key risk areas including:
 - a. non-compliance with laws, regulations, standards and best practice guidelines,
 - b. important judgments and accounting estimates,
 - c. litigation and claims,
 - d. fraud and theft,
 - e. any other business risks that are not dealt with by a specific committee.
- Reviews and updates the Risk Register every six months.
- Reviews and recommends to the Board the Risk Policy and Procedure annually, and other relevant Risk Management Policies and Procedures.
- Fosters an ethical culture of transparency.
- Reviews the BCH's risk management framework and control environment, (at least annually) including the processes for improvement and implementation of appropriate risk management strategies.
- Oversees the development and implementation of the BCH Legal Compliance framework.
- Receives and analyses regular Compliance reports and ensure remedies are facilitated in an appropriate and timely manner.
- Ensures there is a clear policy and procedure for reporting, actioning and documenting breaches of laws, including fraud and theft.
- Reports on all actual and suspected breaches of laws, including fraud and theft, except medical related issues reported to the Quality and Clinical Governance (QCG) Committee.

3. Committee Membership:

The Board of Directors will appoint a minimum of three Directors to the FAR Committee, one of whom will be appointed Chair. The Chair is not to be the Chair of the Board of Directors. Up to two additional Committee members can be independent according to the requirements of the Standing Directions of the Minister for Finance under the Financial Management Act 1994.

An independent member of the FAR Committee is one who is not a member of the Board of Directors and who:

- has not, within the last three years, been employed in an executive capacity by BCH,
- is not a member of the immediate family of a person who, within the last three years, has been employed in an executive capacity by BCH,
- is not a principal of, or consultant to, a professional adviser to BCH where that professional adviser has provided significant services to BCH,
- is not a significant supplier or customer of BCH or a related entity or an officer of or otherwise associated directly or indirectly with a significant supplier or customer,
- has no significant contractual relationship with BCH other than as a member of the Board or FAR Committee,
- has not served on the BCH Board of Directors for a period which could reasonably be perceived to materially interfere with the person's ability to act in the best interests of BCH, and
- is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the members ability to act in the best interests of BCH.

The following staff are non-voting members of the FAR Committee:

- Chief Executive Officer (CEO)
- Chief Financial Officer (CFO)
- Director of Quality and Risk
- Manager, Business Support
- Board Secretary

4. Invitees:

As required, representatives of specific areas will be invited to brief and provide expert advice on specific issues. This includes Internal and External Auditors.

The following staff will be invited to meeting by the Convenor to attend FAR Committee:

- Executive Director of Medical Services
- Executive Director of Clinical Services / Chief Nurse & Midwife
- General Manager of Primary & Community Services
- Other members of staff as required.

5. Convenor:

Chief Financial Officer.

6. Chair:

Nominated Board Director.

7. Meeting Frequency:

A minimum of six times per year.

8. Quorum:

A quorum shall consist of a minimum of two voting members, the CEO and the CFO.. Where the Chair is absent from a meeting, the FAR Committee will nominate a member to Chair that meeting.

9. Reporting to:

Board of Directors via minutes tabled at the next Board of Director meeting.

10. Annual Review of Performance:

The Committee shall undergo an annual review of its performance against the objectives.

11. Meeting Protocols:

In accordance with the meeting protocols set out in the Board of Directors Terms of Reference, with the addition of the CFO.

Internal Audit Charter
(Attachment 1)

1. Purpose:

The primary purpose of Internal Audit is to provide independent and objective assurance and advice designed to add value and improve BCH's operations. Internal Audit aims to assist BCH in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

Internal Audit is a function to assist the Board to effectively discharge its responsibilities in relation to governance, risk and control matters. The Finance, Audit & Risk Committee will engage Internal Auditors to assist with their examination and evaluation of the organisation's activities and internal control structure. Internal Audit will assist the CEO and Finance, Audit & Risk Committee to achieve sound managerial review and internal control over BCH's activities, and to ensure that these activities can be carried out effectively and efficiently.

The Internal Audit function provides the CEO and senior management with:

- management orientated appraisals of BCH's operations and risk management,
- independent and confidential advice on remedial action to improve BCH's effectiveness, efficiency and economy in the use of resources,
- progress reports regarding remedial action taken by management.

2. Independence:

The Internal Audit function has independent status within BCH. Internal Audit has no direct authority or responsibility for the activities it reviews. The Internal Audit function has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in original line processing functions or activities.

Internal Audit reports functionally to the Finance, Audit & Risk Committee. The Head of Internal Audit is accountable to the Finance, Audit & Risk Committee for the efficient and effective operation of the Internal Audit function.

The Internal Audit function will not:

- have executive or managerial powers, authorities, functions or duties except those relating to the management of the Internal Audit function,
- be responsible for the detailed development or implementation of new systems but should be consulted before such development to enable assessment of the adequacy of planned controls,
- be involved in the day to day internal operations at BCH.

The function is currently provided by an external provider under contract. The Board is responsible for the appointment of the Internal Auditor taking into account their mission, charter and resources.

3. Program and authority:

The Internal Audit function will:

- conduct audits in accordance with the approved Internal Audit program,

- conduct work in accordance with the Framework for Assurance Engagements issued by the *Auditing and Assurance Standards Board (AUASB)* and relevant Standards issued by the *Australian Accounting Professional and Ethical Standards Board (APESB)*,
- at all reasonable times, have access to all records, documents and employees of BCH and the right to seek information and explanation.

In consultation with the CEO and other senior managers, and having regard to BCH's updated risk register, the internal auditors shall recommend a forward program of audits for consideration and subsequent approval by the Finance, Audit & Risk Committee and Board.

The internal audit plan will be endorsed by the Finance, Audit & Risk Committee and approved by the Board of Directors.

The Finance, Audit & Risk Committee will review and assess the scope of the internal audit and its audit plan on a regular basis.

Audit programs shall be sufficiently comprehensive to ensure the effective and regular review of all facets of the BCH's operations over a planned cycle, with priority given to those items identified as higher than normal risk.

4. Reporting to:

Internal Audit will report directly to the Finance, Audit & Risk Committee through the Committee Chair.

The Board shall review and approve the appointment, replacement or change in purpose or scope of the Internal Auditors.

Internal Auditors will have direct access to the CEO and the Chair of the Finance, Audit & Risk Committee.

The CEO will coordinate the provision of services by Internal Auditors.

The Internal Auditor will report to the Finance, Audit & Risk Committee at a minimum of every four months.

The Finance, Audit & Risk Committee will monitor and assess the progress of the Internal Audit and any implications that may arise for the control environment

The Finance, Audit & Risk Committee will review and monitor management's responsiveness to the Internal Auditor's findings and recommendations

5. Activities:

Internal Audit will appraise the internal control and risk management practices of BCH in discharging the functions and duties conferred upon it and to this end may:

- review internal control and risk management systems and operations to assess the extent to which these are effective, efficient and economical in assisting BCH to achieve its objectives,
- assess the relevance, reliability, timeliness and adequacy of management data,
- appraise expenditure with regard to "value for money",
- ascertain the extent of compliance with established policies, plans and procedures;
- recommend improvements in procedures and systems to prevent waste, extravagance and loss,
- review policies, plans, procedures, laws and regulations that could have a significant impact on operations to determine whether the organisation is in overall compliance,
- review the means to safeguard assets as well as the adequacy and effectiveness of applicable policies and practices,
- review the adequacy and effectiveness of internal financial and operational controls including IT system controls,
- provide management with a preliminary written report of the results and recommendations of each audit, analysis, review or investigation performed. Final reports will contain management's response to recommendations and will be distributed to the Finance, Audit & Risk Committee and applicable members of management. Reports shall include a risk rating of the overall area/process reviewed as well as for each individual finding,
- follow up on management response to Internal Audit recommendations to determine if agreed upon internal control improvements have been implemented. Reports of management's action will be distributed to the Finance, Audit & Risk Committee,
- investigate known or suspected acts of fraud involving BCH funds, property and employees in conjunction with the CEO and appropriate internal/external legal counsel as requested,
- advise on appropriate systems of control and other operational matters in a consulting capacity,
- draw attention to any failure to take remedial action.

In particular, Internal Audit shall assist BCH in certification of compliance under the Financial Management Compliance Framework.

Internal Audit will meet with the Finance, Audit & Risk Committee as required (and at a minimum of 4 monthly) to discuss performance against the approved internal audit plan, the results of audit activities and significant audit findings and recommendations.

6. Relationships:

The Internal Auditor has access to the CEO of BCH as required, and will report to the CEO and other relevant BCH management at the conclusion of each audit project.

In the conduct of Internal Audit work, internal audit staff will:

- comply with relevant professional standards of conduct,
- possess the knowledge, skills and technical proficiency relevant to the performance of their duties,
- be skilled in dealing with people and communicating audit, risk management and related issues effectively,
- have technical competence through a program of professional development,
- exercise due professional care in performing their duties.

Internal Audit will liaise and coordinate with BCH's External Auditors, with respect to planning and delivery of the overall audit program and to minimize duplication of effort.

External Audit will have full and free access to all Internal Audit plans, working papers and reports.

7. Review of Internal Audit:

On an annual basis, the Finance, Audit & Risk Committee will review the Internal Audit function's performance, its authority, the adequacy of its resources and the proposed allocation of those resources. This will include an assessment of the Internal Auditor's independence, confirmation that there are no conflicts of interest and that the Internal Auditor has not been unduly influenced by management or experienced any problems with management.

The Finance, Audit & Risk Committee will meet with the Internal Auditors as required and at least annually separately and privately without management to ensure free, frank and open communications.

8. Review of the Charter:

This charter will be reviewed and approved annually by the Finance, Audit & Risk Committee to ensure it remains consistent with current strategy, risk and objectives.