

# TERMS OF REFERENCE – 6.07

## FINANCE, AUDIT AND RISK COMMITTEE



<p><b>PURPOSE</b></p>	<p>The purpose of the Finance, Audit and Risk Committee (<i>“The Committee”</i>) is to assist the Board in fulfilling its corporate governance responsibility to monitor and oversee the organisation’s:</p> <ul style="list-style-type: none"> <li>• Risk Management Framework.</li> <li>• Compliance with all legal and audit requirements.</li> <li>• Financial performance and position.</li> </ul>
<p><b>PRINCIPLES</b></p>	<ul style="list-style-type: none"> <li>• It is EGHS responsibility to provide safe quality health care and consumer experience in accordance with the Victorian Clinical Governance Framework.</li> <li>• The <i>Committee</i> is aware of Community Participation Framework, will actively engage and partner with consumers, demonstrate ownership, accountability, ensure the delivery of quality and safe care by participating in regular systematic evaluation processes and monitoring the performance of the organisation to inform the <i>Committee</i> of further improvements.</li> <li>• The <i>Committee</i> review, monitor and verify compliance with Ministerial Standing Direction 3.7.1 Risk Management Framework and Processes.</li> </ul>
<p><b>AUTHORITY</b></p>	<ul style="list-style-type: none"> <li>• The <i>Committee</i> is an Advisory Committee and will report to and, where necessary, make recommendations to the Board.</li> <li>• The <i>Committee</i> is authorised by the Board to investigate any activity covered by its Terms of Reference. Notwithstanding any other EGHS governance policies, the <i>Committee</i> is authorised to seek any information it requires from the Chief Executive, Director of Finance or other EGHS staff through the Chief Executive, who will co-operate with any request made by the <i>Committee</i>.</li> <li>• The <i>Committee</i> shall have the authority of the Board to obtain legal or other independent professional advice, and to secure the attendance at meetings of third parties with relevant experience and expertise if it considers this necessary.</li> <li>• The <i>Committee</i> shall have no executive powers with regard to its findings and recommendations.</li> </ul>
<p><b>MEMBERS</b></p>	<ul style="list-style-type: none"> <li>• The <i>Committee</i> shall be appointed by the Board and shall consist of a minimum of (3) members, the majority being independent members. At least 3 members must be non-executive directors of the Board. ( SD 3.2.1.3)</li> <li>• An ‘independent member’ is defined as a member who is not employed by or has a material business association with EGHS. Board Directors who receive an emolument for their roles as Directors or <i>Committee</i> members are also classified as independent.</li> </ul>

	<ul style="list-style-type: none"> <li>• All EGHS Board Members are eligible to attend any Board sub-committee meetings.</li> <li>• <i>Committee</i> members who are not Board members may be appointed to ensure an adequate and appropriate mix of skills. Such <i>Committee</i> members shall be appointed for up to a (3) year term which can be renewed.</li> <li>• All members of the <i>Committee</i> must have and maintain: <ul style="list-style-type: none"> <li>i Basic financial literacy;</li> <li>ii Reasonable knowledge of EGHS’s own risks and controls;</li> <li>iii Integrity, objectivity, accountability, honesty and openness;</li> <li>iv Dedication of time and effort;</li> <li>v An enquiring mind;</li> <li>vi Independence of judgement;</li> <li>vii Relevant industry knowledge; and</li> <li>viii Business experience in the public or private sector</li> </ul> </li> <li>• At least one member of the <i>Committee</i> must have appropriate expertise in financial accounting or auditing.</li> <li>• The Director of Finance is to provide all newly appointed members with all necessary information regarding the <i>Committee’s</i> responsibilities and EGHS’s operations and background to enable them to understand and discharge their responsibilities.</li> </ul>
<p><b>ATTENDANCE</b></p>	<ul style="list-style-type: none"> <li>• Invited to attend: <ul style="list-style-type: none"> <li>▪ Chief Executive</li> <li>▪ Director of Finance</li> <li>▪ Director of Development and Improvement</li> </ul> </li> <li>• The <i>Committee</i> may have in attendance such members of management and such other persons as it deems necessary to provide appropriate information and explanations.</li> <li>• Internal and external audit representatives will be invited to attend <i>Committee</i> meetings as deemed appropriate by the Chairperson.</li> <li>• The <i>Committee</i> must have direct access to the internal and external auditors without EGHS management present.</li> </ul> <p>Members may not miss more than two meetings in a row. A leave of absence approval from the Chair will be required if a third meeting is missed.</p>
<p><b>CHAIR</b></p>	<p>The Board shall elect the Chairperson of the <i>Committee</i> who shall be one of the independent members and not be the Board Chairperson.</p>
<p><b>TERMS OF REFERENCE</b></p>	<p>The <i>Committee’s</i> activities shall, at all times, be confined to the review or monitoring of those activities or circumstances that the Board has defined in policy.</p> <p><b>The <i>Committee</i> will monitor and oversee the following:</b></p>

## **RISK MANAGEMENT**

- Risk profile and insurance arrangements of EGHS
- Changes in the external environment, including consideration of emerging trends and other factors related to the entity's risk profile.
- The effectiveness of the EGHS Risk Management Framework (inclusive of Risk Appetite and Risk Culture).

## **INTERNAL AUDIT**

- The appointment of the internal auditor from time to time and ensure an independent audit process.
- The performance of the internal audit contractor.
- The implementation of a risk based cyclical internal audit plan. This includes review of audit scopes, findings and implementation of audit recommendations.

## **EXTERNAL AUDIT**

- Review and manage the performance of the external audit contractor.
- In consultation with VAGO review the external auditor's proposed budget, audit scope, plan and methodology to ensure its appropriateness and that no undue restrictions or limitations have been placed on the scope of their work.
- Review of management responses to audit recommendations to ensure appropriate action is taken.
- Review implementation of audit recommendations.

## **OTHER COMPLIANCE MATTERS**

- EGHS's process for monitoring compliance with laws and regulations and its own Code of Conduct and Code of Financial Practice.
- The effectiveness of business continuity and emergency planning.

## **FINANCIAL POSITION AND PERFORMANCE**

- Recommend to the Board the approval of the Annual Financial Statements.
- Oversee the adoption of new accounting standards and changes to material accounting standards.
- Quarterly income and expense (profit and loss), position statements (balance sheets) and cash flow statements.
- Annual operating budget preparation and recommend the budget to the Board for approval.
- Annual capital budget (including the provision of IT) preparation and recommend the budget to the Board for approval.

<b>REPORTS TO</b>	The <i>Committee</i> shall report to the Board after each meeting or as specified or requested by the Board. <i>Committee</i> meetings shall be minuted, with a copy attached to the next Board meeting agenda.
<b>FREQUENCY</b>	<ul style="list-style-type: none"> <li>• At scheduled times during the year in accordance with the <i>Committee's</i> planned program.</li> <li>• Often enough to discharge the <i>Committee's</i> role and responsibilities effectively.</li> <li>• Not less than (4) times per year.</li> </ul>
<b>QUORUM</b>	A quorum shall be (2) members, at least one of whom shall be a Board representative.
<b>EVALUATION OF COMMITTEE</b>	<p>The <i>Committee</i> shall annually conduct an assessment of its effectiveness. Terms of Reference will be reviewed annually.</p> <p>The Board must formally review the <i>Committee's</i> performance and membership at least once every 3 years. (SD 3.2.1.4).</p>
<b>DATE RATIFIED</b>	March 2007
<b>DATE REVIEWED</b>	February 2022
<b>NEXT REVIEW</b>	February 2023