

## Board Audit and Risk Committee Terms of Reference

### 1. PURPOSE

The purpose of the North West Hospital and Health Board Audit and Risk Committee ('the Committee') is to assist the Board in fulfilling its oversight responsibilities of the North West Hospital and Health Service ('NWHHS') and to provide independent assurance to the Board on:

- compliance with legal and regulatory requirements;
- independent auditor's statement and independence;
- performance of the internal audit function;
- strategies and measures of cultural maturity, including maintenance and performance frameworks and strategies
- the Hospital and Health Service risk, control and compliance frameworks; and
- the Hospital and Health Service's external accountability responsibilities as prescribed in the *Financial Accountability Act 2009*, *Auditor-General Act 2009*, *Financial Accountability Regulation 2009* and *Financial and Performance Management Standard 2009*.

### 2. AUTHORITY

Schedule 1, Section 8(1)(b) of the *Hospital and Health Boards Act 2011* (the Act) provides that the Board must establish the committees prescribed by regulation. In addition to the functions delegated to the Committee by the Board in this terms of reference, the Committee must perform the functions of an audit committee as prescribed at Section 34 of the *Hospital and Health Boards Regulation 2012* (the Regulation).

In discharging its responsibilities authority is given to:

- Conduct or authorise investigations into matters within its scope of responsibility.
- The Chair of the Committee to access all information required to fulfil the Committee Terms of Reference.
- The Chair of the Board and the Chief Executive to be consulted where information requests are considered of a private, sensitive or confidential nature.
- Conduct meetings with internal and external auditors, as necessary.
- Seek advice from external parties, as necessary.

The committee has an oversight role and does not replace management's primary responsibilities for the management of risk and the operation of internal Audit and Risk, and the promotion of integrity and positive culture. This Committee has the authority to follow up internal and external audit findings and matters of related assurance and governance of the North West Hospital and Health Service (NWHHS) on behalf of the Board and make associated recommendations to the Board.

### 3. FUNCTIONS

The Terms of Reference have regard to:

- The regulatory requirements outlined in the *Hospital and Health Board Regulation 2012* (Section 34)
- [The Queensland Treasury Audit Committee Guidelines: Improving Accountability and Performance July 2020](#)
- Recognised corporate governance and risk management principles

## **Prescribed by Regulation**

- a) advising the board about the matters stated in paragraphs (b) to (i);
- b) assessing the adequacy of the Service's financial statements, having regard to the following—
  - (i) the appropriateness of the accounting practices used;
  - (ii) compliance with prescribed accounting standards under the [\*Financial Accountability Act 2009\*](#);
  - (iii) external audits of the Service's financial statements;
  - (iv) information provided by the Service about the accuracy and completeness of the financial statements;
- c) monitoring the Service's compliance with its obligation to establish and maintain an internal control structure and systems of risk management under the [\*Financial Accountability Act 2009\*](#), including—
  - (i) whether the Service has appropriate policies and procedures in place; and
  - (ii) whether the Service is complying with the policies and procedures;
- d) if an internal audit function is established for the Service under the *Financial and Performance Management Standard 2009*, part 2, division 5—monitoring and advising the Service's board about its internal audit function;
- e) overseeing the Service's liaison with the Queensland Audit Office in relation to the Service's proposed audit strategies and plans;
- f) assessing external audit reports for the Service and the adequacy of actions taken by the Service as a result of the reports;
- g) monitoring the adequacy of the Service's management of legal and compliance risks and internal compliance systems, including the effectiveness of the systems in monitoring compliance by the Service with relevant laws and government policies;
- h) assessing the Service's complex or unusual transactions or series of transactions, or any material deviation from the Service's budget;
- i) any other function given to the committee by the Service's board, if the function is not inconsistent with a function mentioned in paragraphs (a) to (h).

## **Audit Committee Guidelines**

The Committee will carry out the following responsibilities:

### **1. Financial Statements**

- a) Review the appropriateness of accounting policies and procedures adopted by the NWHHS to prepare financial statements and ensure the accounting policies adopted are relevant to the NWHHS and its specific circumstances;
- b) Review 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;
- c) Review the financial statements for compliance with prescribed accounting and other requirements;
- d) Review with management, internal audit and the external auditors, the results of the external audit and any significant issues identified;
- e) Exercise scepticism by questioning and seeking full and adequate explanations for any unusual transactions and their presentation in the financial statements;
- f) Analyse the financial performance and financial position and seek explanation for significant trends or variations from budget or forecasts;
- g) Ensure that assurance with respect to the accuracy and completeness of the financial statements is given by management.

### **2. Risk Management**

- a) Oversee implementation of the risk management framework to ensure management is supported to identify, monitor and manage risks, including fraud and corruption risks;
- b) Oversee insurance arrangements provided by the Department of Health ;
- c) Receive assurance over the management of risks to the NWHHS Strategic Plan;

- d) Receive reports from the NWHHS risk register ensuring it is up-to-date and the risk appetite and tolerance of the Board is reflected in management actions;
- e) Review project risk management for material projects including ICT and capital projects to provide assurance to the Board on the effectiveness of risk mitigation strategies, and identify and emerging project risks for escalation;
- f) Assess and contribute to the audit planning processes relating to the risks and threats to the NWHHS; and
- g) Review effectiveness of the NWHHS's processes for identifying and escalating risks, particularly strategic risks.

### 3. Internal Control

- a) Review, through the internal and external audit functions, the adequacy of the internal control structure and systems, including information technology security, control and safeguarding of assets;
- b) Review, 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; and
- c) Review, through the Executive Director Finance Infrastructure and Corporate Services whether the financial internal controls are operating efficiently, effectively and economically.

### 4. Performance Management

- a) Review NWHHS'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.

### 5. Internal Audit

- a) Review the budget, staffing and skills of the internal audit function and make recommendations to the HSCE and Board;
- b) Review and approve 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;
- c) Review 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;
- d) Review the findings and recommendations of internal audit and the response to them by management, including approval of changes in completion dates for agreed management actions;
- e) Review the implementation of internal audit recommendations accepted by management; and
- f) Review the Internal Audit Charter annually and make recommendations to the Board on proposed changes;

### 6. External Audit

- a) Consult with Queensland Audit Office (QAO) and its agents on the proposed audit strategy, audit plan and audit fees for the year;
- b) Review the findings and recommendations of QAO and its agents (including from performance audits) and the response to them by management;
- c) Review responses provided by management to ensure they are in line with the NWHHS's risk management framework and Board's risk appetite and tolerance; and
- d) Review the implementation of 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;

## 7. Compliance

- a) Determine whether management has considered legal and compliance risks as part of the NWHHS' risk assessment and management arrangements;
- b) Review the effectiveness of the system for monitoring the NWHHS's compliance with relevant laws, regulations and government policies; and
- c) Review the findings of any examinations by regulatory agencies, and any auditor observations.

## 8. Integrity and Culture

- a) Review outcomes of management actions to manage risk related to matters of probity and integrity in accordance with the Public Service Code of Conduct and relevant legislation;
- b) Review and provide oversight on workforce planning and cultural issues, including strategies to develop the workforce culture to align to the Strategic Plan; and
- c) Review outcomes and risks related to workforce, safety and culture within NWHHS.

## **4. GUIDING PRINCIPLES**

When deliberating, the Committee must recognise, adhere to and be guided by the principles set out in the *Hospital and Health Boards Act 2011*, *Hospital and Health Boards Regulation 2012*, *Public Service Act 2008* and the *Financial Accountability Act 2009*.

The relevant principles are contained in the attached **Schedule 1**.

## **Decision Making**

The Committee has no executive powers or decision-making authority in relation to the operations of the NWHHS. The Committee's role is advisory only and will make recommendations to the Board for decisions through endorsement

## **RESOLUTIONS**

- Resolutions on recommendations are made by a majority of votes. Each member present at a meeting has a vote and if the votes are equal the member presiding has a casting vote. Members participating in a meeting by use of technology such as teleconferencing are taken to be present at the meeting.
- A resolution is validly made by the Committee, even if it is not passed at a meeting if:
  - a) a majority of the Committee Members gives written agreement to the resolution;
  - b) and notice of the resolution is given under procedures approved by the Committee.

The Chair of the Committee reserves the right to escalate any matter to the Board. Where the matter for consideration is beyond the authorised functions of the Committee, the Committee must refer the matter to another committee of the Board if the Committee resolve that the matter falls within the functions of another Board Committee; or directly to the Board.

## **5. MEMBERSHIP**

Membership eligibility and tenure will be determined and approved by the Board. The Chair of the Committee must be a member of the Board.

Members, including the Chair, may be members of the Hospital and Health Service or, where the necessary skills do not exist on the Hospital and Health Service, the Hospital and Health Service may appoint an external member of the committee by an letter of appointment.

At least one member will have 'financial expertise' as described in the Queensland Treasury publication, *Audit Committee Guidelines: Improving Accountability and Performance 2020*.

Membership of the Audit and Risk Committee will generally be reviewed on a two-yearly basis and /or when terms of appointments for board members expire however, the Board has discretion to review membership at any time.

**Non-Voting Members:** External Members, Health Service Chief Executive (HSCE), Chief Operating Officer (COO), Chief Financial Officer (CFO); Executive Director Nursing Midwifery and Clinical Governance (EDNMCG), Executive Director Medical Services (EDMS), and Executive Director People, Culture, and Planning (EDPCP).

**Proxies:** Proxies are not permitted if a member is unable to attend.

The Chair of the North West Hospital and Health Board is an ex officio Member of the Committee.

## 6. REMOVAL OF COMMITTEE MEMBERS

A Member may, by written notice, be removed from the Committee by the Board; if the Board considers the removal is in the best interests of the NWHHS.

## 7. OTHER PARTICIPANTS

An Internal Auditor representative and External Audit representative are invited to attend each meeting for a specified time determined by the Committee. Attendance by teleconference / virtual means is permitted.

The Chair from time to time may invite board members, other individuals or groups to present to, or observe, meetings of the Committee. Where agreed by the Chair, members may invite guests to attend meetings to provide expert advice and support to a specific topic raised. A guest's attendance is limited to the duration of discussion on that specific topic.

Observers and guests do not have authority to make determinations in respect of the Committee deliberations.

## 9. COMMITTEES

The Chair of Committee has the authority to create relevant sub-committees or other subordinate bodies deemed necessary to assist the committee in discharging its responsibilities.

## 10. REPORTING

The Committee **receives** the following reports for consideration prior to **escalation** to the Board (as determined by the Committee at the meeting):

Quarterly		
Report	Description	Responsibility
External Audit Report	Progress Report against findings	External Audit Partner/ CFO
Internal Audit Report	Summary of findings and open recommendations from internal audits	Internal Audit Partner / CFO
Risk Register	NWHHS Risk Register (High and Medium Level Risks with all risks provided at the November quarterly meeting)	EDNMCG

Annually		
Report	Description	Responsibility
Financial Statements	Review of Financial Statements and CFO Assurance Statement	CFO
Strategic Internal Audit Plan / Internal Audit Plan	Endorse the Internal Audit Plan	Internal Audit Partner / HSCE
Fraud Control Report	Analysis of internal / external audit results, control and compliance systems, including identified improvements and fraud risks	CFO

The Committee will also **provide** the following reports to the Board:

Report	Description	Frequency	Responsibility
Committee Minutes	Committee Minutes	Quarterly	Secretariat

The committee will provide prompt and constructive reports on its findings directly to the Board highlighting issues it considers are not being adequately addressed by management.

**Additional reports:** The Committee may also receive reports from other bodies on an 'as needs' basis, where the report is relevant to the Committee functions.

**Issue Escalation:** Issues unable to be resolved by the Committee are escalated to the Board.

## 11. QUORUM

A quorum for a meeting of the Committee is one-half of the number of its members, or if one-half is not a whole number, the next highest whole number.

## 12. OUT-OF-SESSION PAPERS VIA FLYING MINUTE

A resolution is validly made by the Committee, if –

- A majority of the Committee Members gives written agreement to the resolution; and
- Notice of the resolution is given under procedures approved by the Committee.

Items can be managed Out-of-Session via Flying Minute where:

- the item is urgent and must be considered before the next scheduled meeting; or
- in circumstances when face-to-face meetings are not possible, to enable business to be progressed.

If a resolution of the Committee is required out-of-session it must be done through a Flying Minute, which is then confirmed at the next Committee Meeting. If commentary or discussion is required, a request should be made to the Chair for a teleconference.

Flying Minutes may be responded to by email or by completing the Flying Minute form and returned by the specified date and time.

## 13. PERFORMANCE

The Committee will review its performance on an annual basis and utilised the self-assessment questionnaire contained within the Queensland Treasury Audit Committee Guidelines; Improving Accountability and Performance 2020 and this review is to be provided to the Board. The Self-Assessment process should assist the Committee to identify its strengths and weaknesses and areas of improvement. The Board may commission an external peer review of the Committee's performance at its discretion.

The Chair will provide Committee members with feedback on their contribution to the Committee's activities each year and periodically arrange professional development required for Committee members.

The Board will undertake an external evaluation to review its performance at least once every three years and this includes a review of committee performance.

#### **14. CONFLICT OF INTEREST**

To meet the ethical obligations under the *Public Sector Ethics Act 1994*, members must declare any conflicts of interest whether actual, potential, apparent, or appear likely to arise, and manage those in consultation with the Chair. This may relate to a position a member holds (e.g. Chair of an external organisation) or to the content of a specific item for deliberation.

Further information is available in the North West Hospital and Health Board Policy 'Conflicts of Interests'.

#### **15. CONFIDENTIALITY**

Committee Members acknowledge that:

- Members will receive information (verbal and written) that is commercially sensitive, clinically confidential, private and confidential and which may be protected by doctrines such as legal professional privilege;
- a Member's duty to maintain confidentiality and to exercise discretion are paramount and the duty survives the termination or expiry of a Member's appointment;
- Members must maintain and secure access to the meeting papers (whether printed, electronic or in some other form/instrument); by keeping same in a safe and secure location; password protected (if electronic); separate from any other business or responsibilities of the Member; and in a manner where the meeting papers/information is protected.

#### **16. SECRETARIAT**

Secretariat support will be coordinated by the Board Secretary.

#### **17. MEETING SCHEDULE**

Meetings will be held at least four times a year. The Chair of the Committee must call a meeting if requested to do so by the Board. In addition, the Chair may call additional meetings as necessary to address any matters referred to the committee or in respect of matters the committee wishes to pursue within the terms of reference.

Additional meetings will be held for specific purposes which will be reflected in the agenda. These special meetings may also address standard matters raised in quarterly meetings.

**Document History**

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22/11/2022	Draft TOR endorsed by Audit and Risk Committee
13/12/2022	Draft TOR endorsed by Board

**Approval**

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Endorsed: <Signature on File>  
Chair, North West Hospital and Health Board Audit and Risk Committee

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