

# Audit and Risk Committee Terms of Reference

## Cairns and Hinterland Hospital and Health Board

### 1. Charter

The Audit Committee is a formal committee of the Cairns and Hinterland Hospital and Health Board ('the Board') established in accordance with Schedule 1 Section 8 of the *Hospital and Health Boards Act 2011*. The Audit and Risk Committee is prescribed, and the functions of the committee listed, under the *Hospital and Health Boards Regulation 2012* Part 7 – sections 31 and 34; and section 30 of the *Financial and Performance Management Standard 2019*.

Any previous version of the Charter/Terms of Reference is hereby revoked.

### 2. Purpose

The purpose of the Audit and Risk Committee is to provide independent assurance and assistance to the Board on:

- The service's internal control and compliance frameworks
- The 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 2019*.

The Committee has an oversight role and does not replace management's primary responsibilities for the management of risks, the operations of internal audit and risk management functions, the follow up of internal and external audit findings or governance of the service generally.

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. The minutes of the Committee's meetings will be promptly provided to the Board. In fulfilling its responsibilities, the Committee will observe and promote the core organisational values of accountability, compassion, integrity and respect.

### 3. Authority

The Committee is a prescribed committee under the *Hospital and Health Boards Regulation 2012*:

- The Committee reports to the Board
- The Terms of Reference are approved by the Board
- The Board has authorised the Committee, within the scope of its responsibilities, to:
  - examine any matter in relation to its objectives as it sees fit or as requested by the Board;
  - engage external resources if necessary, to obtain independent advice in relation to committee matters with the approval of the Board; and
  - have access to all levels of management via the Health Service Chief Executive (HSCE) in order to seek information from any employee to assist in carrying out the Committee's responsibilities.

Decision making:

- The Committee has no executive powers, delegated financial responsibility or management functions.



- The Committee is an advisory committee of the Board. In discharging its responsibilities, the Committee has the authority to:
  - recommend investigations into matters within its scope of responsibility;
  - access information, records and personnel of the service and Health Department's Shared Service Provider for this purpose;
  - request attendance of any employee, including executive staff, at committee meetings;
  - engage independent advisors to assist with its duties if agreed by the Board;
  - conduct meetings with internal and external auditors as necessary; and
  - seek advice from external parties as necessary.
- Recommendations of the Committee will be regarded as its collective decision or advice unless there is material dissension.
- If consensus cannot be reached, the Chair reserves the right to escalate the matter to the Board. The minority view will be recorded in the minutes of the meeting and placed before the Board.
- Where the matter for consideration is beyond the scope of the Committee, the decision is to be referred to another committee, where relevant, or the Board.

## 4. Guiding principles

The *Hospital and Health Boards Act 2011*, the *Public Service Act 2008* and the *Financial Accountability Act 2009* provide the following principles intended to guide achievement of the acts' objects. These principles guide all deliberations of the Committee.

*Hospital and Health Boards Act 2011:*

- the best interests of users of public sector health services should be the main consideration in all decisions and actions under this Act;
- there is a commitment to ensuring quality and safety in the delivery of public sector health services;
- there is a commitment to achieving health equity for Aboriginal people and Torres Strait Islander people;
- there is a commitment to the delivery of responsive, capable and culturally competent health care to Aboriginal people and Torres Strait Islander people;
- providers of public sector health services should work with providers of private sector health services to achieve coordinated, integrated health service delivery across both sectors;
- there should be responsiveness to the needs of users of public sector health services about the delivery of public sector health services;
- information about the delivery of public sector health services should be provided to the community in an open and transparent way;
- there should be commitment to ensuring that places at which public sector health services are delivered are places at which –
  - employees are free from bullying, harassment and discrimination;
  - employees are respected and diversity is embraced; and
  - there is a positive workplace culture based on mutual trust and respect;
- there should be openness to complaints from users of public sector health services and a focus on dealing with the complaints quickly and transparently;
- there should be engagement with clinicians, consumers and community members and local primary healthcare organisations in planning, developing and delivering public sector health services;
- opportunities for research and development relevant to the delivery of public sector health services should be promoted; and
- opportunities for training and education relevant to the delivery of public sector health services should be promoted.

*Public Service Act 2008:*

Public service management is directed towards:

- providing responsive, effective and efficient services to the community and the Government;
- maintaining impartiality and integrity are maintained when informing, advising and assisting the Government;
- promoting collaboration between Government and non-government sectors is fostered in providing services to the community;
- continuously improving public service administration, performance management and service delivery;
- managing public resources efficiently, responsibly and in a fully accountable way;
- promoting the Government as an employer of choice;
- promoting equality of employment opportunity.

With specific reference to the *Financial Accountability Act 2009*:

- adherence to the Financial and Performance Management Standard 2019 (subordinate legislation to FAA 2009), which provides direction in financial management with emphasis upon planning, performance management, internal control and corporate management.
- Section 30 of the Financial and Performance Management Standard 2019 a statutory body may establish an Audit Committee.

## 5. Functions

The Committee will advise the Board about the following matters:

- a) 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; and
  - iv. information provided by the service about the accuracy and completeness of the financial statements;
- b) monitoring, through the internal and external audit functions, the service's compliance with its obligation to establish and maintain an internal control structure under the *Financial Accountability Act 2009*, including –
  - i. whether the service has appropriate policies and procedures in place;
  - ii. whether the service is complying with the policies and procedures;
- c) monitoring and advising the service's Board about its internal audit function, including:
  - i. reviewing the budget, staffing and skills of the internal audit function; and
  - ii. reviewing and approve the annual and strategic internal audit plans, ensuring that they cover key risk areas and that there is appropriate coordination with the external auditor;
- d) overseeing the service's liaison with the Queensland Audit Office in relation to the service's proposed audit strategies and plans;
- e) assessing external audit reports for the service and the adequacy of actions taken by the service as a result of the reports;
- f) 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, and reviewing the findings of any examinations by regulatory agencies and any auditor observations;
- g) assessing the service's complex or unusual transactions or series of transactions, or any material deviation from the service's budget;
- h) determining whether a sound and effective approach has been followed in managing significant fraud and corrupt conduct risks;
- i) Risk: support the Board to ensure organisational risk (strategic and operational) is managed in accordance with the CHHS Risk Management Framework.

In this section –

**External audit** means an audit conducted by or for the Queensland Audit Office.

**Queensland Audit Office** means the Queensland Audit Office established under Section 6(3) of the *Auditor-General Act 2009*.

## 6. Reporting

The Committee will prepare briefs requiring decision for the Board outlining all relevant matters that have been considered by the Committee, along with the Committee's recommendations and opinions thereon. The Chair will provide a quarterly verbal report on the activities of the Audit Committee.

Reporting will be in accordance with the agreed Work Plan endorsed by the Committee and the Board.

All communication with management and staff, as well as with any advisers, will be direct, open and complete. The Chair will be the Committee link to the Board.

It is important for the Committee Chair and members to develop, establish and maintain an effective working relationship with the Board and executive management.

Any concerns or differences should be resolved by way of open negotiation, with the final arbiter the Board.

## 7. Membership

The Committee is comprised of:

- an independent Chair – an independent, non-executive Board Member or a person external to the organisation;
- a maximum of 4 independent members – independent, non-executive Board members or persons external to the organisation, one of which is the Chair of the Board; and
- one member appointed Deputy Chair of the Committee.

Membership is to be determined by the Board subject to the following:

- at least one member from the Board for this committee must have appropriate expertise\* in financial accounting or auditing;
- the Board may appoint up to two additional persons external to the Cairns and Hinterland Hospital and Health Service to the Audit and Risk Committee. These members will possess appropriate expertise to enhance the decision-making capabilities of the Committee;
- all Board members, who are not appointed members of the Audit Committee, are welcome to attend meetings as non-voting attendees;
- a member of a committee is entitled to the fees and allowances fixed by the Governor in Council for performing his or her functions as a committee member; and
- Member appointments shall ordinarily be for a term of three years, with appointments staggered to enable continuity of knowledge. The Chair and members shall be eligible for reappointment by the Board for a term of three years, subject to satisfactory performance and in line with their Board term. The maximum total term for the Committee Chair should not be more than six years.
- Committee membership will be periodically reviewed in line with the policy for Board and sub-committee appointments.

\*Appropriate expertise in finance or accounting shall be as described in Queensland Treasury publication, *Audit Committee Guidelines – Improving Accountability and Performance*, June 2012: A financial expert would generally include a person who is a qualified accountant, who is a current member of one of the professional accounting bodies in Australia and who has relevant financial experience in professional accounting or audit.

## Chair

The Chair shall be appointed for a term of three years and shall be eligible for reappointment by the Board for a term of three years. The maximum total term for the Committee Chair should not be more than six years. The Chair of the Audit and Risk Committee shall not be the Chair of the Cairns and Hinterland Hospital and Health Board.

The Chair will possess sound communication and strong leadership skills.

The Committee is supported by non-voting advisers/ observers comprising of:

- Chief Executive
- Chief Finance Officer
- Executive Director Medical Services
- Executive Director People and Culture
- Director Internal Audit and Risk
- External Audit

The Committee is a skill-based governance committee. Members should collectively possess sufficient knowledge of governance, assurance, audit, finance, technology, legislation, risk management, compliance and control plus any special attributes relevant to the Cairns and Hinterland Hospital and Health Service and its industry. Members of the Committee should have senior management experience in a relevant environment.

New Committee members will receive information and briefings on the work of the Committee to assist them meet their responsibilities. Inductions for new Committee members will be arranged by the secretariat.

## **8. Other participants**

The Chair may request health executives, employees or external parties to attend a meeting of the Committee. However, such persons do not assume membership or participate in any decision-making process of the Committee.

## **9. Quorum**

A quorum will comprise half the voting members, including the Chair, plus one.

## **10. Performance**

Members of the Audit Committee will be evaluated in terms of their performance against the approved Terms of Reference and the annual work plan through an annual self-assessment process.

The Committee will undertake an annual self-assessment of its performance for the previous twelve months. The Committee will provide a report of the annual review outcomes to the Cairns and Hinterland Hospital and Health Board.

## **11. Confidentiality**

All information acquired as a result of membership to the Audit Committee is confidential to Cairns and Hinterland Hospital and Health Service and should not be disclosed either during appointment or after termination (by whatever means) to third parties except as permitted by law and with prior clearance from the Chair.

## 12. Ethical practices

To meet the ethical obligations under the *Health and Hospital Boards Act 2011* and the *Public Sector Ethics Act 1994*, committee members must declare any conflicts of interest whether actual, potential, apparent, or appear likely to arise, and manage those in consultation with the Chair.

Members will at all times in the discharge of their duties and responsibilities, exercise honesty, objectivity, independence and probity and not engage knowingly in acts or activities that have the potential to discredit the service.

Members will refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and will, at all times, act in a proper and prudent manner in the use of information acquired in the course of their duties. Members will not use the Service's information for personal gain for themselves or their immediate families or in any manner that would be contrary to law or detrimental to the welfare and goodwill of the service. Further, members must not publicly comment on matters related to activities of the committee other than as authorised by the Board.

## 13. Secretariat

Secretariat support will be provided by the Board Liaison Officer. The secretariat will be responsible for the preparation and circulation of the agenda and supporting documentation along with the minuting of the deliberations and decisions of the committee.

## 14. Meeting schedule

Audit and Risk Committee meetings will be held quarterly. The Committee Chair may call additional meetings, or alter meeting dates and frequency as necessary to address any matters referred to the Committee or in respect of matters that the Committee wishes to pursue within the terms of reference.

## 15. 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 the service's internal audit function operates effectively, efficiently and economically.
- The Director of Internal Audit and Risk will have a standing invitation to attend committee meetings.
- The Chair and other independent members will hold a closed session with the Director Internal Audit and Risk at each meeting.

External audit

- The Committee has no power of direction over external audit or the manner in which the external audit is planned or undertaken.
- The Committee 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 Audit Manager will have a standing invitation to attend committee meetings.
- The Chair and other independent members will hold a closed session with the External Audit Manager at each meeting.
- Consult with external auditor on the function's proposed audit fees for the year.

## 16. Business rules

As per Board Business Rules which provides the governance framework for Board and Committee meetings.

### Document History

<b>Date</b>	<b>Nature of Amendment</b>
21/11/12	Draft presented to Board
22/11/12	Amendments made pursuant to Board discussion on 21/11/12
22/11/12	Reviewed and amended by Interim Chair
28/11/12	Approved by Board Executive Committee
26/03/14	Reviewed by Audit and Risk Management Committee
03/02/15	Amendments made pursuant to Audit and Risk Management Committee Self-Assessment conducted on 25 February 2015 and a review by the Board Secretary.
25/03/15	Reviewed by Audit and Risk Management Committee
25/03/15	Approved by the Board
24/02/16	Reviewed and endorsed by Audit and Risk Management Committee
24/02/16	Approved by the Board
26/10/16	Amendment made to align with Internal Audit Charter
10/12/16	Review of ARMC by Board Secretary
01/02/2017	Revised ARMC ToR prepared for Administrator review and approved
29/05/2017	Revised AC TOR prepared at Chairs request
20/03/2018	Rewrite of the Audit Committee Terms of Reference
28/03/2018	Reviewed and endorsed by the Audit Committee
2/05/2018	Approved by the Board
25/02/2019	Addition of section re fraud and corruption control
07/06/2019	Review of ToR by Director Internal Audit
26/06/2019	Reviewed and Endorsed by Audit Committee
03/07/2019	Approved by Board
25/11/2020	Revised Audit Committee TOR presented to Audit Committee
02/12/2020	Approved by Board
30/11/2022	Revised Audit Committee TOR presented to Audit Committee
1/02/2023	Approved by the Board
5/07/2023	Approved by the Board
22/01/2024	Under review
25/3/2024	Endorsed by Audit and Risk Committee