

Finance, Audit + Risk Committee Terms of Reference (District)

These terms of reference (TOR) set out the scope, responsibility, accountability and membership of the Finance Audit and Risk Committee (FAR Committee) to enable the FAR Committee to give advice and recommendations to the board members of Southern District Health Board (Southern DHB) on audit, financial and risk management matters.

Finance, Audit and Risk Committee

Purpose

To assist the board members of Southern DHB board in fulfilling their responsibilities relating across all financial and risk based operational areas namely Governance, Funder and Provider-arm.

These responsibilities include but are not limited to those set out in sections 39 and 41-42 New Zealand Public Health and Disability Act 2000 (NZPHD Act) and section 51 and part 4 Crown Entities Act 2004 (CE Act) and related regulations.

Note: For the purpose of this TOR, reference to the board or chair includes the commissioner and deputy commissioners.

Scope

To give advice and recommendations to the board members of Southern DHB on audit, financial and risk management matters including:

- Assurance that control mechanisms are in place to ensure compliance with legislation, regulations, and Ministry of Health strategies relating to the services provided or funded by Southern DHB.
- Assurance that the Southern DHB has appropriate service agreements, monitoring and auditing processes in place to optimise financial and operational outcomes.
- Assurance that financial matters including funding, operating expenditure, capital expenditure, financial, and strategic planning are appropriately managed.
- Assurance that appropriate internal and external audits are carried out to ensure internal control systems are robust.
- Assurance that internal and external systems are in place to identify and manage financial, clinical and other operational risks through robust contingency planning.
- Assurance that the appropriate systems are in place to meet obligations arising from health and safety legislation.

Responsibilities

Audit

- Overseeing the audit function and recommending to the board an appropriate internal audit work plan that is prioritised by the DHB's key risk areas.
- Assist the external auditor to identify risks and issues relevant to the external audit planning process.
- Liaise with the internal auditor, review the internal

audit scope, planning and resourcing.

- Recommend to the board the appointment of the internal auditor and periodically review the performance and effectiveness of the internal auditor.
- Receive the reports of the internal and external auditors and review their findings and management's responses.
- Meet with both the internal and external auditors at least once per annum with management excluded.
- Monitor the progress made by management in implementing recommendations arising from audit.

Financial Planning and Reporting

- Review the development of the board's financial and operational strategies both long and short-term.
- Review capital expenditure financial parameters, asset management planning and their relationship with service planning.
- Review all significant or statutory accounting policy changes and recommend acceptance by the board.
- Review district annual plans, statements of intent and district strategic plans for their financial impact.
- Review the annual report with the chief executive officer, chief financial officer, executive director planning and funding and the external auditors and recommend acceptance by the board.
- Review and advise the board regarding finance-related policies and procedures requiring board approval, including an annual review of its delegation policy.
- Monitor the financial performance and position of Southern DHB against budget and forecast in addition to the normal monthly board financial reporting.
- Develop a work plan identifying the key time frames for accountability documents and other legislative requirements relevant to the committee.

Risk and Financial Management Oversight

- Monitoring systems in place to ensure that Southern DHB complies with its obligations under key legislation and keeps other legislative compliance arrangements under review.
- Review the risk management strategy for Southern DHB and monitor its implementation and regular risk reporting processes.
- Review and monitor options for annual insurance cover within the DHB national collective approach to insurance. Any shortfall or risk identified by the committee shall be reported to the board.
- Receive and monitor reports of alleged fraud and Fraud Hotline use in line with the [Fraud Policy \(District\)](#) (25546).
- Review organisation-wide risk assessment and management processes and monitor appropriate, timely action and contingency planning to manage

risks.

- Review the approach to maintaining an effective internal control framework, including external parties such as contractors, is sound and effective.
- Consider and oversee the fraud prevention strategy, policies and procedures for the board and recommending to the board an appropriate [Fraud Policy \(District\)](#) (25546) and Fraud Prevention Framework.
- Receive and investigate disclosures under Southern DHB's [Protected Disclosures / Whistle-blowing Policy \(District\)](#) (19708) where it is not appropriate for these to be received and investigated by the chief executive.
- Oversee the development, maintenance and compliance with a robust framework of governance policies and procedures designed to provide an appropriate system of internal controls.

Accountability / Reports to

The FAR Committee is constituted by the board under clause 38 of schedule 3 to the NZPHD Act 2000 and must operate in accordance with directions from the board.

Any recommendations made by the FAR Committee must be ratified by the board prior to any release of recommendations or decisions to other parties. Any decisions that are sub-delegated and made by the FAR Committee must be ratified by the board.

The internal auditor is responsible to the board through the chair of the FAR Committee. The internal auditor reports to the committee against an agreed programme as determined by the FAR Committee.

Membership

The FAR Committee comprises of at least three members and any external advisor with the appropriate skills and experience if required. The chairperson will be appointed by the committee.

In the absence of the appointed chairperson, the committee shall elect a member to act as chairperson for the purposes of any properly constituted meeting.

The following individuals, while not members of the FAR Committee, will be invited to be in attendance by the committee when appropriate:

- Chief executive officer
- Chief financial officer
- Executive management staff
- Risk and quality manager
- Internal auditor and external auditor

Committee members shall be appointed for the term of the board.

Conflict of Interest

Conflicts of interest are to be declared by members and staff when a potential conflict exists with an agenda item. A register of interests shall form part of each committee meeting's agenda.

Meetings

Committee meetings are to be held regularly, with no less than four and up to twelve meetings per annum.

Quorum

A quorum shall consist of a majority of all committee members

or half if the membership is an even number.

Review

These terms of reference shall be reviewed annually by the board.

Access and Reporting

The FAR Committee has confidential access to the internal and external auditors (and vice versa) as required to fulfill its objectives, roles and responsibilities.

It also has access to the Southern DHB's chief executive officer and chief financial officer and to any other staff through the chief executive officer.

The FAR Committee is authorised by the board to obtain outside legal or other independent professional advice if necessary to fulfill its role.

The FAR Committee shall report its activities via its minutes to the board.

Information

The following information will be supplied to the FAR Committee:

Audit

- Draft and final internal and external audit plans and strategies.
- External audit engagement, arrangements and representation letters.
- Internal and external audit reports/letters (draft and final).
- Schedules of action points and reporting of management's progress with implementation.

Financial Reporting and Monitoring

- Draft and final financial statements of Southern DHB.
- Proposals to change accounting policies and their impact.
- Draft and final annual plans, strategic plans and annual report.
- Finance related policies and procedures of Southern DHB and details of any planned amendments.
- Management accounts and financial reports as supplied to the board and other board committees.
- Asset management and capital expenditure plans.

Risk Management Oversight

- Risk management policies, procedures and regular risk register reports.
- A schedule of governance policies with current and review dates.
- Governance policies and procedures.

Associated Documents:

- [Fraud Policy \(District\)](#) (25546)
- [Protected Disclosures / Whistle-blowing Policy \(District\)](#) (19708)

- [Treasury Policy \(District\)](#) (47832)
- [Internal Audit + NGO Auditing Policy \(District\)](#) (44704)

References:

Legislation:

- [Public Record Act 2005](#)
-

General Notes

Scope of Practice: Ensure you are fully qualified to perform the role specified in any document.

Deviations: If you need to deviate from any procedure, policy, or guideline, make notes and follow up.

Caution - Printed Copies: Printed copies of this document cannot be relied on after the date at the bottom of the page. Check issue date and version number against the electronic version on MIDAS to ensure that they are current.

Disclaimer: This document meets the Southern District Health Board's specific requirements. The Southern DHB makes no representations as to its suitability for use by others, and accepts no responsibility for the consequences of such use.

Document Data for 49695 V2

Applies to: FAR Committee, Finance and governance support staff. (Global: No)

What has Changed: Changes approved by commissioner and FAR Committee 22.04.2016

Service Actions:

MIDAS ID: 49695 Version 2 (Old ID: n/a), **Document Type:** Guidelines

Issued: 19/07/2016, **Released:** 19/07/2016, **Due for Review:** 1/07/2017, **Authorised by:** Chief Financial Officer

Document Owner: Finance Group (8220 - Finance Department 8220 CFO)

Author: Grant Paris, **Contact Name:** Jeanette Kloosterman, **Contact Phone:** 55443 (Otago)

Keywords: TOR AFRM Committee

Reviewed By: