



**BEECHWORTH
HEALTH SERVICE**



**FINANCE AND AUDIT
COMMITTEE CHARTER**

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SERVICE**
**Finance and Audit Committee
Charter**

Contents

Document control sheet.....	3
The Charter	4
Authority and independence	4
Role	4
Duties and responsibilities.....	5
Financial Statements.....	5
Integrity Oversight and Misconduct Prevention.....	5
Risk Management.....	5
Internal Control	5
Performance Management	6
Internal Audit	6
External Audit	6
Compliance.....	6
Reporting	7
Membership and Meetings	7
Membership	7
Attendees.....	7
Chair.....	7
Executive Officer.....	7
Ethical practices	8
Meetings and Attendance	8
Meeting Agenda	8
Relationships	8
Internal Audit	8
External Audit	9
Other Committees	9
Evaluation of Committee Activities.....	9
Review of the Charter.....	9
Approval of the Charter	9

Document control sheet

Version history

Version	Version date	Summary of Changes
1.0	23 10 2014	Development of a Finance and Audit Committee Charter and Annual Work Plan having regard to the roles and responsibilities outlined in the <i>Health Services Act, Financial Management Act, Audit Act, Standing Directions of the Minister for Finance and the Financial Management Compliance Framework</i> .
1.1	18 12 2014	Minor amendments to the role of the committee in that it provides advice.
1.2	21 03 2017	Major revision incorporating Standing Directions 2016
1.3	20.9.2018	Correct reference from internal auditor to external auditor in external auditor section of Charter
1.4	20.10.2020	Reviewed – no changes.

The Charter

This document, to be known as the Finance and Audit Committee Charter has been approved by the Beechworth Health Service Board of Management (the Board).

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

The purpose of this Charter is to outline the role, responsibilities, composition and operating guidelines of the Finance and Audit Committee (the committee).

Authority and independence

Beechworth Health Service is a public sector agency as defined under the *Financial Management Act 1994*

The Committee functions under the authority of the Board in accordance with the *Health Services Act 1988*, Section 65.

The Committee is prescribed, and the functions of the committee listed, under the *Health Services Act 1988*, Section 65 and the *Financial Management Act 1994*. In establishing the committee, due regard has been given to the *Standing Directions of the Minister for Finance Under the Financial Management Act 1994*.

In discharging its responsibilities the Committee has the authority to:

- Have direct access to internal and external auditors without management present.
- Direct access to the Accountable Officer, the Director of Corporate Services and the organisation's management team.
- The right to seek explanations and additional information; and
- The right to seek independent, expert advice to assist it in undertaking its oversight responsibilities.

Role

The role of the Committee is to provide advice to the Board on:

- The financial performance of the organization;
- The financial risk, control and compliance frameworks in use by the organisation;
- The Board's external accountability responsibilities as prescribed in the *Health Services Act 1988*, *Financial Management Act 1994*, and the *Standing Directions of the Minister for Finance Under the Financial Management Act 1994*; and
- The Board's integrity framework.

The committee does not replace or replicate established management responsibilities and delegations, the responsibilities of other executive management groups within the BHS, or the reporting lines and responsibilities of either internal audit or external audit functions.

The committee will provide prompt and constructive reports and feedback on its findings directly to the Board, particularly when issues are identified that could present a material risk or threat or represent an organisational improvement or growth opportunity.

Duties and responsibilities

The Committee's duties and responsibilities are to:

Financial Statements

- Review the appropriateness of the accounting policies adopted by the BHS and ensure they are relevant.
- 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.
- Review the financial statements for compliance with prescribed accounting and other requirements.
- Review, with management and the external auditors, the results of the external audit and any significant issues identified.
- Exercise skepticism by questioning and seeking full and adequate explanations for any transactions and their presentation in the financial statements.
- Analyse the BHS financial performance and financial position and seek explanation for significant trends or variations from budget or forecasts.
- Ensure that assurance with respect to the accuracy and completeness of the financial statements is given by management.

Integrity Oversight and Misconduct Prevention

- Provide oversight, direction and guidance on the BHS' integrity framework to ensure it is functioning appropriately.
- Monitor the effectiveness of BHS' Statutory Disclosure requirements.
- Ensure the BHS complies with relevant integrity legislation whole of government policies, principles and guidelines (including the Victorian Public Sector Commission Code of Conduct).
- Provide advice and recommendations on integrity issues to the Board and Executive as necessary.
- Monitor BHS misconduct trends and prevention approaches and address any gaps in dealing with integrity issues in relation to misconduct (including fraud and corruption).
- Ensure the BHS complies with any Independent Broad-based Anti-Corruption Commission (IBAC) requirements and recommendations to improve misconduct prevention and response.

Risk Management

- Review, ratify and oversee the risk management framework for identifying, monitoring and managing significant risks, including fraud
- Satisfy itself that insurance arrangements are appropriate for the risk management framework, where appropriate.
- Liaise with management to ensure there is a common understanding of the key risks to BHS. These risks will be clearly documented in a risk register which will be regularly reviewed to ensure it remains up-to-date.
- Assess and contribute to the audit planning processes relating to the risks and threats to BHS
- Review effectiveness of the BHS' processes for identifying and escalating risks, particularly strategic risks.

Internal Control

- Review through the internal and external audit functions, the adequacy of the internal control structure and systems, including information technology security and control.
- 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.

- Review through the Chief Finance and Accounting Officer assurance certifications, whether the financial internal controls are operating efficiently, effectively and economically.

Performance Management

- Review BHS' compliance with the performance management and reporting requirements of the *Health Services Act 1988 and Financial Management Act 1994*, through the achievement of financial targets as agreed to in the Statement of Priorities and other service agreements.
- Review whether performance management systems in place reflect BHS' role/purpose and objectives (as stated in its strategic plan and by-laws).
- Identify that the performance reporting and information uses appropriate benchmarks, targets and trend analysis and that these are used for analysis and improvement.

Internal Audit

- Review the budget, staffing and skills of the internal audit function.
- Ensure that the annual internal audit schedule is established each financial year and that its scope and scale is appropriate to BHS strategic risks and priorities.
- Review the internal audit annual plan progress, and any significant changes to it, including any difficulties or restrictions on scope of activities, or significant disagreements with management.
- Review and approve the proposed internal audit plan and annual plan to ensure they cover key risks and that there is appropriate co-ordination with the external auditor.
- Review the findings and recommendations of internal audit and the response to them by management.
- Review the implementation of internal audit recommendations accepted by management.
- Interview and discuss internal audit recommendations independently with the internal auditors in the absence of management.
- Ensure that there is no material overlap between the internal and external audit functions.

External Audit

- Consult with external auditors on the proposed audit strategy and audit plan fees for the year.
- Review the findings and recommendations of external audit (including from performance audits) and the response to them by management.
- Review responses provided by management to ensure they are in line with BHS' risk management and strategic planning development priority framework.
- Review the implementation of external audit recommendations accepted by management and where issues remain unresolved ensure that satisfactory progression is being made to mitigate the risk associated with the audit's findings.
- Interview and discuss external audit recommendations independently with the external auditors in the absence of management

Compliance

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

Reporting

- Submit reports (or minutes of Committee meetings) to the Board outlining relevant matters that

have been considered by it as well as the Committee's opinions, decisions and recommendations.

- Circulate minutes of the Committee meetings to the Committee members and standing invitees as appropriate.
- Prepare an annual report to the Board summarizing the performance and achievements for the previous year.

Membership and Meetings

Membership

- Board members appointed to the Committee are done so by the Board
- A minimum of three Board members are appointed.
- At least one member will have 'financial expertise' as described in the *Standing Directions of the Minister for Finance Under the Financial Management Act 1994*
- At least two members of the committee are to be independent and these members are to be identified as independent in the public sector agency's annual report
- Members are appointed on the basis of personal qualities and skills.
- Members of the Finance and Audit Committee will not have the ability to nominate a proxy of equal qualification.
- The Finance and Audit Committee will have the power to co-opt those persons it deems necessary to fulfill its purposes and terms of reference, but those co-opted persons will not have the power to vote.

Attendees

- Director of Corporate Services
- Financial Management representative
- Chief Executive Officer

Chair

- The Chairman of the Finance and Audit Committee will be the Treasurer.

Executive Officer

- The Executive Officer of Finance and Audit Committee will be the Director of Corporate Services and will be appointed by the Chief Executive Officer to facilitate the committee's meetings and reporting duties.
- The Executive Officer, in consultation with the Chair, will prepare and send notices of meetings and agendas five business days prior to a meeting and accurately transcribe all decisions of the committee.
- The Executive Officer, will table all correspondence, reports and other information relevant to the Committee's activities and operations.
- Draft Minutes will be provided to the Chair for review within two working days of the meeting. Minutes will be included in the papers for the next meeting, and are draft until they are confirmed by the Committee.
- The Executive Officer, will prepare, maintain and retain electronic and written records of the committee's activities, including agendas, minutes, related papers and out-of-session papers from all meetings in accordance with the requirements of the *Public Records Act 1973*.
- The Executive Officer, will coordinate the annual review of the Committee's Charter and Annual Work Plan.
- The Executive Officer, will coordinate the annual self-assessment of the Committee.

Ethical practices

- Members are required to declare any interests that could constitute a real, potential or apparent conflict of interest with respect to participation on the committee.
- The declaration must be made on appointment to the Committee and in relation to specific agenda items at the outset of each Committee meeting, and be updated as necessary.
- Members of the Committee may from time to time be in receipt of information that is regarded as "commercial in confidence", clinically confidential or have privacy implications. Members acknowledge their responsibility to maintain confidentiality of all information that is not in the public domain. Members will maintain the Committee papers in a confidential manner from any other business or responsibilities of the member. Members will not comment publicly on matters related to the activities of the committee other than as authorized by the Board.

Meetings and Attendance

- The Committee will meet at least six times per year and the schedule of meetings will be agreed in advance.
- Members of the Committee are expected to notify an apology if they are unable to attend, at their earliest convenience, to the Executive Officer
- The Chair may call additional meetings as required.
- Urgent matters can be progressed out-of-session by a flying minute with agreement of the Chair.
- The Executive Officer, will manage the out-of-session process with the Chair's approval. Generally two working days is allowed for consideration by members of an out of session item. The Secretariat will collate members' responses and prepare for endorsement by the Chair. The final decision in respect of the paper will be recorded in the minutes of the next meeting.
- A quorum will consist of a simple majority of members. Any meeting that fails to achieve a quorum of members will be deferred to a later date and this is to be determined by those members attending the failed meeting.
- Attendance by tele/video conference is permissible.

Meeting Agenda

- The Committee will determine its own agenda, ensuring appropriate consultation to include emerging issues and emphasis on the most significant risks and threats.
- The agenda and relevant papers will be distributed to members at least five working days prior to the meetings.
- Late Agenda items will be tabled at the discretion of the Chair.

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 BHS' internal audit function operates effectively, efficiently and economically.
- The Internal Auditor will have a standing invitation to attend committee meetings.
- The Chair may hold executive sessions with internal audit if required.

External Audit

- The Committee has no power of direction over external audit or the manner in which the external audit is planned or undertaken, but 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 auditor will have a standing invitation to attend committee meetings.
- The Chair may hold executive sessions with external audit if required.

Other Committees

The Committee shall liaise with other groups as required to ensure:

- That its statutory and operational responsibilities are met.
- That there is no material over-lap between the functions and duties of the groups.
- Frank and meaningful interchange of information.

Evaluation of Committee Activities

- The Committee will undertake an annual self-assessment of its performance for the current year at the April meeting.
- The Committee will provide a report of the annual review outcomes to the Board.
- At least once every three years the committee will consider an external peer review of its operations and activities. The results of this review are to be provided directly to the Board.
- The Chair will provide each individual member with feedback on that person's contribution to the committee's activities at least once during each member's term of office. This assessment will include a review of any training needs of the member.

Review of the Charter

- The charter will be reviewed annually by the Committee to ensure it remains consistent with the committee's authority, objectives and responsibilities.
- All amendments to the charter will be discussed and approved by the Board.

Approval of the Charter

The BHS Finance and Audit Committee Charter is endorsed by the resolution of the committee and approved by the Board.



Name: Kim Rowley
Chair of Finance and Audit Committee
20th October 2020



Name: Harry Thomas
President Board of Management
20th October 2020