

## TERMS OF REFERENCE

### Hawke's Bay District Health Board Finance Risk and Audit Committee

December 2013

<p><b>Purpose</b></p>	<p>The purpose of the Finance Risk and Audit Committee (FRAC) is to advise and assist the Hawke's Bay District Health Board (HBDHB) to meet governance responsibilities relating to finance, risk, safety and quality management, audit and compliance.</p>
<p><b>Functions</b></p>	<p>The functions of FRAC are to:</p> <ol style="list-style-type: none"> <li>1. Finance:             <ol style="list-style-type: none"> <li>a) Monitor the overall financial performance of HBDHB, including the performance of the Provider Arm.</li> <li>b) Monitor the capital plan and the overall financial position of HBDHB.</li> </ol> </li> <li>2. Risk, Safety and Quality Management:             <ol style="list-style-type: none"> <li>a) Monitor and review the adequacy and performance of HBDHB risk management framework, strategies, processes and reporting.</li> <li>b) Ensure appropriate patient safety and clinical quality measures are in place, are maintained and managed, and positive outcomes are achieved.</li> </ol> </li> <li>3. Audit:             <ol style="list-style-type: none"> <li>a) Provide assurance that all audit processes required by statute and the Board are completed.</li> <li>b) Ensure all issues identified by audits are appropriately addressed.</li> </ol> </li> <li>4. Compliance:             <ol style="list-style-type: none"> <li>a) Ensure HBDHB is complying with all relevant statutory, regulatory and policy obligations and requirements.</li> </ol> </li> </ol> <p>Specific detailed duties are set out in Schedule A attached.</p>
<p><b>Level of Authority</b></p>	<p>FRAC has the authority to give advice and make recommendations to the HBDHB Board.</p> <p>FRAC is authorised by the Board to investigate any activity it deems appropriate. It is authorised to seek any information from any officer or employee of the organisation all of whom are directed to co-operate with any request made by the Committee.</p> <p>FRAC is authorised to engage any firm of accountants, lawyers or other professionals as the Committee sees fit to provide independent counsel and advice to assist in any review or investigation on such matters as the Committee deems appropriate.</p>
<p><b>Membership</b></p>	<p>Members of FRAC:</p> <ul style="list-style-type: none"> <li>▪ Will be appointed for any period that terminates no later than four months after the end of the term of the HBDHB Board that appointed them. (Note: The full term of a Board is three years).</li> <li>▪ Members may be reappointed by the 'new' Board.</li> </ul> <p>The appointment of a Board member to FRAC terminates if the member</p>

	<p>ceases to be a member of the Board.</p> <p>Remuneration will be based on the Cabinet Fees Framework.</p> <p>Compostion:</p> <ul style="list-style-type: none"> <li>▪ HBDHB Chair</li> <li>▪ No less than two and no more than five other Board members</li> <li>▪ Up to two independent non-Board members (external advisers) where the required skills are not available from existing Board members.</li> </ul> <p>HBDHB Board members who are not committee members can attend this Committee as observers, and with the approval of the Committee Chair have the right to speak. The Committee Chair can ask for specific comment from observers on agenda items.</p>
<b>Chairperson</b>	The Chair is appointed by the HBDHB Board.
<b>Quorum</b>	A quorum will be half the members if the number of members is even and a majority if the number of members is odd.
<b>Meetings</b>	<p>The Committee shall meet monthly (other than January).</p> <p>All meetings shall be held with the public excluded.</p> <p>Matters may be dealt with between meetings through discussion with the Chair and other relevant members of the Committee.</p> <p>The Standing Orders adopted by HBDHB apply to committee meetings.</p>
<b>Reporting</b>	<p>The Chair shall report on Committee business to the Board with such recommendations as the Committee may deem appropriate.</p> <p>The Committee shall recommend approval of the interim and annual financial statements and other audit obligations along with any other certificates requiring approval to the Board.</p>
<b>Minutes</b>	Minutes will be circulated to all members of the Committee and HBDHB Board, within one week of the meeting taking place.

## SCHEDULE A – FRAC DETAILED DUTIES

Based on “Good Practice Guide for Audit Committees in the Public Sector”  
Issued by the Office of the Auditor General in March 2008

<b>Duties</b>	<p><b>1. Finance</b></p> <p>The duties of the Committee in respect to Finance shall be to:</p> <ul style="list-style-type: none"><li>• Monitor the overall financial performance and financial position of the HBDHB.</li><li>• Monitor Capital Plan against actual.</li><li>• Review any additional budget requests or commitment of funds above the Chief Executive’s delegated financial authority limit and make recommendations to the Board on these.</li></ul> <p><b>2. Risk, Safety and Quality Management</b></p> <p>The duties of the Committee in respect to Risk Management shall be to review the adequacy of the Board’s risk management of the organisation as a whole including:</p> <p>2.1 Regular review of technology system risks with a focus on:</p> <ul style="list-style-type: none"><li>• Adequacy of systems to achieve objectives</li><li>• IT Disaster Recovery Planning.</li></ul> <p>2.2 Review of HBDHB’s risk management programme to ensure:</p> <ul style="list-style-type: none"><li>• Adequate monitoring of critical risks and responsibilities for risk management.</li><li>• A robust identification and assessment process and an early warning system are in place.</li><li>• Risk management policies and strategies reflect the Board’s views and priorities.</li><li>• Risks and risk management are regularly reported to the Board in meaningful format.</li><li>• Compliance of HBDHB’s risk management systems with public sector Risk management standards as set out in “Guidelines for Managing Risks in the Australian and New Zealand Public Sector: “SAA/NZ HB 143:1999.</li><li>• Adequacy of Business Continuity Management and linkage to IT Disaster Recovery Planning</li></ul> <p>2.3 Regular review of clinical risks and quality control including:</p> <ul style="list-style-type: none"><li>• Risk practices and policies and the adequacy and effectiveness of systems controls</li><li>• Quality Control.</li><li>• Sentinel reports.</li><li>• Infection risks management.</li></ul>
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2.4 Project Risks focusing on:

- Overall project register.
- NRH completion risk around the completion of projects, establishment risk and change management risk.

2.5 Operating Risks:

- Includes review of annual insurance placement including ensuring adequate cover is provided.

2.6 Other Risks:

- Includes safety policies.
- Policies and procedures to minimise and manage conflicts of interests among Board members, management and staff.
- Policies and procedures to minimise and manage risks in contracting of health services.
- Reputation and communication.
- Other monitoring responsibilities as determined by the Board.

**3. Audit**

3.1 The duties of the Committee in respect to Audit shall be to:

- Provide assurance to the Board that all audit processes required by the Board or by statute are completed.
- Ensure that there is an open avenue of communication between the Internal Auditor, the external auditors and the Board. The Internal Auditor and external auditors have direct access at any time to each other and the Committee.
- Consider, in consultation with the external auditors and the Internal Auditor, the audit plans and scope of the external auditors and internal auditors, ensuring that co-ordination of audit effort is maximised.
- Work with other committees of the Board to ensure an integrated approach to all audit processes.
- Review annually and, if necessary propose for formal Board adoption, amendments to the Committee's Terms of Reference.

3.2 In addition the Committee shall review:

- The external audit strategy plans and all audit outcomes.
- The interim results and financial statements.
- The annual results and financial statements.
- Any internal audit plans and a summary of outcomes of specific audits.
- Clinical audits and Audits of funding contracts, including those currently undertaken within the arrangement with Central TAS.

3.3 With respect to meetings where Audit business is to be considered:

- The Chief Executive Officer, Chief Financial Officer, Internal Auditor and representatives of the external auditors shall normally attend. All other Board members shall have the right to attend.
- The Committee may instruct any officer or employee of the HBDHB to attend any meeting and provide pertinent information as necessary.
- The Internal Auditor reports functionally to the Chair of the Audit Committee (and administratively to the Chief Financial Officer).
- The acceptance of findings of the Audit Committee by the Board shall not relieve the Board from any of its responsibilities.
- At least once a year, the Committee shall meet with the external auditors without the presence of executive management to discuss any matters that either the Committee or the external auditors believe should be discussed privately.

3.4 Specific Responsibilities of the Committee shall be:

3.4.1 *Financial*

- Review with management and the external auditors:
  - HBDHB's interim and annual financial statements.
  - The external auditors' audit of the financial statements and report thereon (where applicable).
  - Any significant changes which have been required in the external auditors' audit plan.
  - Any significant difficulties or disputes with management encountered during the course of the audit.
  - Other matters related to the conduct of the audit which are to be communicated to the Committee under generally accepted auditing standards.
  - HBDHB's accounting and financial reporting practices and policies with regard to the application of current accounting standards, legislation and other appropriate standards.
  - Significant transactions which are not a normal part of HBDHB's business.

3.4.2 *Financial and Other Risks and Internal Control*

- Consider and review with management and the Internal Auditor the HBDHB's Financial Risk Analysis report.
- Enquire of management, the Internal Auditor, and the external auditors about significant Financial and other Risks or exposures and evaluate the steps taken to minimise such Financial Risk to the organisation.
- Consider and review with management and the Internal Auditor significant findings and management's responses thereto.
- Consider and review with the external auditors and the Internal Auditor:
  - The adequacy of the organisation's systems of internal control including computerised systems controls and security.

- All audit processes including audit of risk management
- Any related significant findings and recommendations of the external auditor including the management letter and of the internal auditor, together with management's responses there to.
- Consider and review the six monthly management statutory compliance reports.
- Consider and review with management and the Internal Auditor the HBDHB's Policies and Procedures in relation to:
  - Delegated Signing Authorities for financial transactions and contract authority.
  - Capital Expenditure approvals.
- Consider and review with management and the Internal Auditor HBDHB's Business Continuity planning.

#### 3.4.3 *External Audit*

- The appointment of the Audit Office as the Board's external Auditor is mandatory as outlined in Section 43 of the NZPH&D Act 2000 and Section 156 of the Crown Entities Act 2004.
- According to the Acts audits are not limited to financial audit.

#### 3.4.4 *Internal Audit*

- Consider and review with management and the Internal Auditor:
  - Significant internal audit reports and summary of internal audit activity.
  - Any difficulties encountered in the course of internal audit, and any restrictions placed on internal audit scope of work or access to required information or personnel.
  - The internal audit plan of future audits to be conducted.
  - Any changes which have been required in the previously approved internal or external audit plan.
  - The internal audit department's Charter.
- Consider the appropriateness of the internal audit function from time to time.

#### 3.4.5 *Statutory*

- Review whether statutory and regulatory financial and other obligations have been met by HBDHB, including any certifications required from directors under legislation.
- Review whether any disclosure documents reflect a true and fair view and comply with relevant legislation.

## 4. **Compliance**

The duties of the Committee in respect to Compliance are to ensure that HBDHB is complying with all relevant statutory, regulatory and policy obligations and requirements.