

TERMS OF REFERENCE

Board Audit and Risk Committee

1. TITLE

Board Audit and Risk Committee (BARC)

2. PURPOSE

The objective of the Committee is to provide independent assistance to the Board by monitoring, reviewing and providing advice about the organisation's governance processes, risk management and control frameworks, and its external accountability obligations.

3. RESPONSIBILITIES

The Committee has no executive powers.

The Committee is directly responsible and accountable to the Board for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of the organisation rests with the Chief Executive.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Board from time to time.

The Committee's responsibilities are to:

Risk Management

- review whether management has in place a current and appropriate risk management framework that is consistent with AS/NZS ISO 31000:2009
- review risk management plans and provide advice to the organisation head
- seek assurance from management and Internal Audit that risk management processes are operating effectively
- seek assurance from management and Internal audit as to the adequacy and effectiveness of internal controls
- review risk reports and provide advice to the organisation head
- review whether a sound and effective approach has been followed in developing risk management plans for major projects or undertakings
- review the impact of the organisation's risk management on its control environment and insurance arrangements
- review the organisation's fraud control plan and be satisfied that the organisation has appropriate processes and systems in place to capture and effectively investigate fraud related information
- review whether a sound and effective approach has been followed in establishing the organisation's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically
- consider risks of state-wide significance to NSW Health.

Control framework

- review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisors, is sound and effective
- review whether management has in place relevant policies and procedures, and that these are periodically reviewed and updated
- determine whether the appropriate processes are in place to assess, at least once a year, whether laws, regulations, policies and procedures are complied with
- review whether appropriate policies and procedures are in place for the management and exercise of delegations
- consider how management identifies any required changes to the design or implementation of internal controls
- review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

External accountability

- assess the policies and procedures for management review and consideration of the financial position and performance of the organisation including the frequency and nature of that review (including the approach taken to addressing variances and budget risks)
- review procedures around early close and year-end
- review the financial statements and provide advice to the Board (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the Chief Executive, where Chief Executive governed
- satisfy itself that the financial statements are supported by appropriate management signoff on the statements
- review the Director of Finance Letter of Certification and supporting documentation (in line with NSW Treasury Policy and Guidelines Paper *Certifying the Effectiveness of Internal Controls over Financial Information* (TPP 14-05), as applicable to NSW Health Organisations).
- review cash management policies and procedures
- review policies and procedures for collection, management and disbursement of grants and tied funding
- review the processes in place designed to ensure that financial information included in the organisation's annual report (where required to be prepared) is consistent with the signed financial statements
- satisfy itself that the organisation has a performance management framework that is linked to organisational objectives and outcomes.

Compliance with applicable laws and regulations

- determine whether management has appropriately considered legal and compliance risks as part of the organisation's risk assessment and management arrangements
- review the effectiveness of the system for monitoring the organisation's compliance with applicable laws and regulations, and associated government policies.

Internal audit

- act as a forum for communication between the Board, senior management and internal and external audit
- review and provide advice to the Board and Chief Executive on the internal audit policies and procedures
- review the risk based audit methodology
- review the internal audit coverage and annual work plan, ensure the plan is based on the organisation's risk management plan, and recommend approval of the plan by the Chief Executive
- advise the Board on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan
- oversee the coordination of audit programs conducted by internal and external audit and other review functions
- review audit findings and related recommendations that have been assessed as the most significant according to the risk the audit finding represents to the organisation if the recommendation(s) related to the finding are not implemented
- provide advice to the Board and Chief Executive on significant issues identified in audit reports and action taken on these issues, including identification and dissemination of good practice
- monitor management's implementation of internal audit recommendations
- review the internal audit charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place
- periodically review the performance of internal audit and the Chief Audit Executive
- provide advice to the Board and Chief Executive on the results of any external assessments of the internal audit function
- provide advice to the Board and Chief Executive on whether the Chief Audit Executive should be a dedicated role within the organisation
- provide advice to the Board and Chief Executive on the appointment or replacement of the Chief Audit Executive and, where appropriate, recommend the appointment or replacement of external internal audit service providers [in the case of an outsourced or co-sourced internal audit function].

External audit

- act as a forum for communication between the Board, Chief Executive, senior management and internal and external audit
- provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided
- review all external plans and reports in respect of planned or completed audits and monitor management's implementation of audit recommendations
- provide advice to the Board and Chief Executive on action taken on significant issues raised in relevant external audit reports and better practice guides.

Responsibilities of members

Members of the Committee are expected to understand and observe the requirements of the Internal Audit and Risk Management Policy. Members are also expected to:

- make themselves available as required to attend and participate in meetings

- contribute the time needed to study and understand the papers provided
- apply good analytical skills, objectivity and good judgement
- abide by the relevant ethical codes that apply to employment within the NSW public sector, including the NSW Health Code of Conduct
- express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

Authority

The Board authorises the Committee, within the scope of its role and responsibilities, to:

- obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information)
- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations)
- request the attendance of any employee at Committee meetings
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities.

4. MEMBERSHIP

The Committee will consist of at least three (3) members, and no more than five (5) members¹, appointed by the Board. The majority of members must be Independent Members (including the Chair).

The Board will appoint the Chair and members of the Committee. The Chair is counted as one member of the Committee.

Members will be appointed for an initial period no less than three (3) years and not exceeding five (5) years, after which they will be eligible for extension or re-appointment for a further term(s) subject to a formal review of their performance (noting that the total term on the Committee will not exceed eight (8) years).

The Chair must be appointed for one (1) term only for a period of at least three (3) years, with a maximum period of five (5) years. The term of appointment for the chair can be extended but any extension must not cause the total term to exceed five (5) years as a Chair of the Audit and Risk Committee.

Current employees of all NSW government sector agencies² other than State Owned Corporations cannot serve as members or Chairs of an Audit and Risk Committee.

The members should collectively develop, possess and maintain a broad range of skills and experience relevant to the operations, governance and financial management of the NSLHD, the environment in which the organisation operates and

¹ Inclusive of the Chair.

² Government sector is defined in the *Government Sector Employment Act 2013*.

the contribution that the Committee makes to the organisation. At least one member of the Committee must have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

Conflicts of interest

Once a year the Committee members will provide written declarations to the Board stating they do not have any conflicts of interest that would preclude them from being members of the Committee.

Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

Where members or observers at Committee meetings are deemed to have a real, or perceived, conflict of interest it may be appropriate that they are excused from Committee deliberations on the issue where a conflict of interest exists.

5. CHAIR

Currently Mr Brian Blood

6. EXECUTIVE SPONSOR

Chief Executive

7. COMMITTEE SECRETARIAT

The Chief Executive will appoint a person to provide secretariat support to the Committee. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, after approval from the chair, at least one (1) week before the meeting, and ensure the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within an agreed time frame of the meeting to each member and committee observers, as appropriate.

8. MEETING PROCEDURES

The Committee will meet at least four (4) times per year. A special meeting may be held to review the organisation's annual financial statements.

The Chair is required to call a meeting if requested to do so by the Board, or Chief Executive, or another Committee member.

A meeting plan, including meeting dates and agenda items, will be agreed by the Committee each year. The meeting plan will cover all of the Committee's responsibilities as detailed in this charter.

Attendance at meetings and quorums

A quorum will consist of a majority of Committee members. A quorum must include at least two (2) independent members.

Meetings can be held in person, by telephone or by video conference.

The Chief Executive may attend the meetings of the Audit and Risk Committee. Committee members, if necessary, are able to have in-camera discussions. The Chief Audit Executive external audit representatives and any other organisation representatives may attend Committee meetings, except where the Committee members wish to have in-camera discussions. The Committee may also request the Chief Finance Officer or other employees attend committee meetings or participate for certain agenda items.

The Committee will meet separately with both the internal and external auditors at least once a year.

Dispute Resolution

Members of the Committee and the organisation's management should maintain an effective working relationship, and seek to resolve differences by way of open negotiation. However, in the event of a disagreement between the Committee and management, the Chair may, as a last resort, refer the matter to the Secretary, NSW Ministry of Health to be dealt with independently.

9. REPORTING

The Committee will regularly, but at least once a year, report to the Board and Chief Executive on its operation and activities during the year. The report should include:

- an overall assessment of the organisation's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the organisation
- a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year
- details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended.
- a summary of the organisation's progress in addressing the findings and recommendations made in internal and external reports
- a summary of the Committee's assessment of the performance of internal audit

The Committee may, at any time, report to the Board and Chief Executive any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Board and Chief Executive.

Reporting Lines

The Committee must at all times ensure it maintains a direct reporting line to and from internal audit and acts as a mechanism for internal audit to report to the Chief Executive on functional matters.

10. EVALUATION

The Board Chair in consultation with the Chair of the Committee, will establish a mechanism to review and report on the performance of the Committee, including the performance of the Chair and each member, at least annually. The review will be conducted on a self-assessment basis (unless otherwise determined by the Board Chair with appropriate input sought from the Chief Executive, the internal and external auditors, management and any other relevant stakeholders, as determined by the Board Chair.

Review of Charter

At least once a year the Committee will review this Charter. This review will include consultation with the Board.

Any substantive changes to this Charter will be recommended by the Committee and formally approved by the Board.

Reviewed by Chair Board, Audit and Risk Committee (Sign and Date)



13.7.21.