

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	<p>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.</p> <p>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.</p>
Scope	<p>To give advice and recommendations to the board members of Southern DHB on audit, financial and risk management matters through review and consideration of:</p> <ul style="list-style-type: none">▪ Control mechanisms in place to ensure compliance with legislation, regulations, and Ministry of Health strategies relating to the services provided or funded by Southern DHB.▪ Monitoring and audit processes in place to optimise financial and operational outcomes.▪ Financial matters including funding, operating expenditure, asset management and capital expenditure, financial, and strategic planning are appropriately managed.▪ Internal and external audit designed to test the robustness of internal controls.▪ Internal and external systems in place to identify and manage financial, clinical and other operational risks.▪ Systems are in place to meet obligations arising from health and safety obligations.

Responsibilities

Audit

- Overseeing the audit function and recommending to the board an appropriate internal audit work plan.
- Oversee the annual external audit process.
- 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 internal and external audit.

Financial Reporting

- Develop a work plan identifying the key time frames for accountability documents and other legislative requirements relevant to the committee.
- Review the annual budget assumptions and budget plan.
- Review capital expenditure and asset management. Review 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 CFIS and the annual report and recommend acceptance by the board.
- Monitor the financial performance and position of Southern DHB against budget and forecast.
- Monitor capital expenditure against budget and large capital projects.

Legal Reporting

Items having legal and/or financial implications to be reported to the FAR Committee for review by the Southern DHB corporate solicitor.

Risk and Financial Management Oversight

- Monitor 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 policy 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.
- Receive and monitor reports of alleged fraud and Fraud Hotline use in line with the [Fraud Policy \(District\)](#) (25546).
- Review risk assessments 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. Receive and investigate disclosures under Southern DHB's [Protected Disclosures / Whistle-blowing Policy \(District\)](#) (19708).
- Oversee the development and maintenance of a robust framework of governance policies 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 board.

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

In the absence of the appointed chairperson, the deputy chairperson will act as chairperson. If both the appointed chairperson and deputy chairperson are absent, 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 in attendance:

- chief executive officer
- executive director, finance, procurement and facilities
- executive director, quality and clinical governance solutions

The following individuals will be invited to be in attendance by the committee when appropriate:

- executive management staff
- general manager, health, safety and welfare
- internal auditor and external auditor

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 fulfil its objectives, roles and responsibilities.

It also has access to the Southern DHB's chief executive officer and executive director finance, procurement and facilities 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 fulfil 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.
- Monthly management accounts and financial reports.
- 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.
- Legal issues reporting and monitoring. Contractual and any other actions or threatened actions either in statute, contract or tort to be reported monthly to the chair and FAR Committee. Legal privilege and confidentiality to be preserved as recommended by the corporate solicitor.

Associated Documents:

- [Fraud Policy \(District\)](#) (25546)
- [Protected Disclosures / Whistle-blowing Policy \(District\)](#) (19708)
- [Treasury Policy \(District\)](#) (47832)
- [Internal Audit + NGO Auditing Policy \(District\)](#) (44704)

Reference:

Legislation:

- [Public Records Act 2005](#)