

## TERMS OF REFERENCE

Risk and Audit Committee Terms of Reference	
<b>Applicable to:</b> Whanganui District Health Board	<b>Authorised by:</b> Board Chair
	<b>Contact person:</b> Risk and Audit Committee

### 1. PURPOSE

The Whanganui District Health Board (WDHB) has an independent Risk and Audit Committee, appointed by and reporting to the board. The role of this committee is to advise the board on the organisation's effectiveness in identifying and managing its clinical and service provision risk, business risk, and financial risk. Risk and Audit Committee members are subject to the WDHB's Code of Conduct Policy.

The committee is established under clause 38, schedule 3 of the New Zealand Public Health and Disability Act 2001<sup>1</sup> which enable the board to set up committee/s, (further to the statutory committees) for a set purpose.

### 2. MEMBERSHIP

The committee shall comprise of:

- a minimum of three and a maximum of four members of the board, plus the board chair as an ex-officio member
- two independent non-board members including one member with a background in financial reporting, accounting or auditing and one member with a background in health service provision and auditing
- the chair shall be appointed by the board, but the chair should have an appreciation and experience of the audit function and bring appropriate independence to the committee.

Members are appointed by the board following receipt of nominations and will be appointed for any period that terminates no later than four months after the end of the term of the board that appointed them (noting the full term of a board is three years). Members may be reappointed by the 'new' board. The appointment of a board member to the Risk and Audit Committee terminates if the member ceases to be a member of the board. To ensure the committee has overall an appropriate skill base and independence:

- members from the board itself should have the appropriate skills that are compatible with the committee's responsibilities
- independent members will be appointed based on the knowledge and skills they would bring to the committee, being mindful of any skill/independence gaps identified.

Four members of the committee shall form a quorum. The secretary to the general manager corporate services, will act as secretary to the committee.

### **3. MEETINGS**

The Risk and Audit Committee will hold bi-monthly meetings and such additional meetings as the chair of the Risk and Audit Committee shall decide in order to fulfill its duties. In addition, the chair is required to call a meeting if requested to do so by any board or board committee member, the chief executive, the board's internal auditor, or the external auditors responsible for the financial audit of Whanganui District Health Board.

The timing of meetings needs to be cognisant of:

- the planning stage of the external audit
- the finalisation of the annual accounts (September/October)
- the submission of the Statement of Intent
- appropriate oversight of service and clinical risks.

The agenda shall be drawn up by the general manager corporate services in conjunction with the chair and shall be circulated at least seven days prior to each meeting of the committee.

The cost of meetings shall be met from the budget of the board.

### **4. ATTENDANCE AT MEETINGS**

The chief executive will be responsible for ensuring that the committee is supported both at meetings and in the conduct of its business outside meetings by the appropriate senior staff members. The internal auditor is required to attend at least two meetings per year and the external financial auditors will attend at least once a year and on an as required basis. At least once a year the committee shall meet separately with the internal auditor and the external auditors without executives present.

Other board members shall also have the right of attendance, and shall contribute to meetings at the invitation of the chair.

Remuneration of committee members is as per the board manual for board members, and by negotiation for non-board members.

### **5. AUTHORITY**

The committee is authorised by the board to investigate any activity in the course of meeting committee objectives. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the committee.

The committee is authorised by the board to obtain outside legal, or other independent professional advice, and to secure the attendance of external parties with relevant experience and expertise if it considers this necessary.

The committee shall have unlimited access to, and authority to seek information from, both the internal and external auditors, to fulfill its objectives, duties and responsibilities.

The committee is authorised to determine a planned internal audit programme in conjunction with senior management and to appoint internal auditors on a regular or one-off basis. The internal audit is to cover all elements of risk faced by the board ie, clinical and service provision, business and financial risk.

The committee shall have no executive powers with regard to its finding and recommendations.

## **6. OBJECTIVES**

The committee will provide oversight and governance and regularly report to the board on:

- 6.1 the ability of the organisation to identify its clinical, service provision, business, and financial risks
- 6.2 the effectiveness of the strategies the organisation has in place to mitigate the clinical, service provision, business, and financial risks
- 6.3 the appropriateness of the control framework, monitoring and reporting mechanisms relating to clinical, service provision, business, and financial risks
- 6.4 the quality and reliability of the information used by the board to monitor, make decisions, and report externally relating to the safety and effectiveness of clinical practice and service provision
- 6.5 the quality and reliability of the information used by the board to monitor, make decisions, and report externally on the commercial and financial activities of the organization.

## **7. SPECIFIC ACTIVITIES**

The committee is responsible for meeting the objectives as set out in these terms of reference. The following are specific activities of the committee although not an exhaustive list:

- 7.1 Reviewing the board's clinical, service provision, business and financial risk management and internal control programmes through receipt of appropriate reports, including:
  - (i) Compliance with statutory, regulatory and policy requirements
  - (ii) Assessment of risks and related control systems
  - (iii) Current status and performance of those control systems.
- 7.2 Monitoring the adequacy of the patient safety and service quality strategies, structures, systems, and processes, including information technology systems.
- 7.3 Commissioning clinical, service provision, business and financial routine and special investigations and internal audits, and making recommendations to the board on any such reports and investigations.
- 7.4 Receiving all externally conducted reports on clinical and service provision and other patient related activity and making recommendations to the board on any such reports and investigations.
- 7.5 Receiving non-DHB provider audits and other reviews of non-DHB providers commissioned by the DHB, including HealthPAC Audit and Compliance reports.
- 7.6 Monitoring the financial separation of the Planning and Funding and the Provider Divisions of the WDHB.
- 7.7 Reviewing the independence and performance of the internal auditor and approving the ongoing internal audit programme, achieving an appropriate balance between clinical, service provision, business and the financial aspects of the organisation's activities, and ensuring the programme is adequately resourced.

- 7.8 Commissioning and receiving post event audit reports of major board decisions within one year, whether they relate to the clinical, service provision, business or the financial aspects of the organisation's activities.
- 7.9 Reviewing the board's emergency preparedness, ie, the ability to manage emergencies relating to the need for extra-ordinary service provision or threats to business continuity.
- 7.10 Reviewing the annual financial statements before submission to the board, focusing particularly on changes in accounting policies, major judgements, and adjustments as a result of the audit and compliance with statutory and legal requirements.
- 7.11 Receiving and reviewing audit reports and all major investigation findings relating to the business and financial aspects of the organisation's activity, including the annual financial statements and making recommendations to the board on any such reports and investigations.
- 7.12 Reviewing the independence and performance of external auditors and making recommendations regarding the appointment of external auditors and discussing with the external financial auditor, the annual audit including the nature and scope of the audit, and ensuring coordination where more than one firm is involved.
- 7.13 Reviewing past or proposed transactions with members of management where such transactions may constitute a conflict of interest.
- 7.14 Reviewing the adequacy of insurance cover and exclusions from insured risks.
- 7.15 Receive and investigate disclosures under the board's Protected Information Disclosures Policy, where it is not appropriate for these to be received and investigated by the chief executive or other persons named in the Protected Information Disclosures Policy and Procedure.
- 7.16 Formally reviewing its own performance on an annual basis.
- 7.17 Consideration of other activities.

## **8. REPORTING PROCEDURES**

The committee will formally report to the board through the committee chair and by providing minutes of committee meetings to the board.

<sup>1</sup> Although the Risk and Audit Committee is not a committee required by Statute, clause 38 of schedule 3 applies to any board.