

# **Audit and Risk Management Committee**

## Terms of Reference

TOR owner:	Director, Corporate Services
TOR contact:	Senior Manager, Risk and Compliance
Approved by:	HNC Board
Approval date:	31 January 2023

## Background and scope

The Audit and Risk Management Committee of Healthy North Coast Ltd – trading as North Coast Primary Health Network (HNC or ‘the Company’) was established as part of the Proceedings of Directors (Advisory Committees: Clause 12.20) in accordance with the Company’s Constitution to ensure good corporate governance.

## Purpose

The Audit and Risk Management Committee (‘the Committee’) assists the HNC Board in exercising due care, diligence, and skill in discharging its oversight responsibilities for the:

- Integrity of the Company’s financial reporting.
- Company’s compliance with legal and regulatory requirements.
- Corporate and clinical risk, incident and complaint management.
- Fraud and corruption control process.
- Independent auditor’s qualifications and independence; and
- Performance of the Company’s internal controls.

## Authority

The Committee has authority to conduct or authorise investigations into any matters within its scope of responsibility. It is empowered to:

- Make recommendations to the Board as to the appointment of the External Auditor.
- Agree the remuneration and oversee the work of the appointed External Auditor appointed by the Board to conduct the annual audit.
- Receive reports directly from the External Auditor.
- Resolve any disagreements between management and the External Auditor regarding financial reporting.
- Pre-approve all auditing and permitted non-audit services performed by the Company’s External Auditor.
- Retain independent counsel, accountants, or others to advise the Committee as necessary or to assist in the conduct of an investigation.
- Seek any information it requires from external parties or employees – all of whom are directed to cooperate with the committee’s requests.
- Meet with company officers, External Auditors, or outside counsel, as necessary
- Delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full Committee at its next scheduled meeting.
- Endorse, and make recommendations to the Board regarding, the scope and planning of the Internal Audit function ensuring it provides assurance to the Committee with respect to existing and emerging organisational risks.

## Membership

The HNC Board is responsible for the appointment of Committee members.

The Committee will consist of four to five members, up to three members will be Board Directors, and two members will be independent members.

Committee members will be appointed by the Board for an initial term of three (3) years, with an opportunity to serve another two (2) consecutive terms upon approval of the Board (i.e. a maximum term of nine (9) years). However, the maximum term that a member can serve may be subsequently extended by the Board, at its discretion on an annual basis, to retain the relevant expertise, skills and/or experience required to ensure the effective ongoing functioning of the Committee.

A member of the Committee is considered “independent” if they do not have a perceived or real material interest in the Company, and therefore do not fall within the following groups:

- a) An individual employed or contracted by the Company or receiving any form of payment other than for attending various committee meetings or engagement meetings.
- b) An individual employed, contracted or a partner of an entity providing External Audit, Internal Audit, or legal services to the Company any time within the last three years; or
- c) An immediate family member of a person described in a) or b) above.

Members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Company. At least one member of the Committee should have accounting or related financial management experience with an understanding of accounting and auditing standards, and one member with corporate governance skills.

Remuneration of Independent members will be based on the terms set out in the Stakeholder Engagement Remuneration Policy.

Resignation from the Committee is to be provided in writing to the Chair of the Committee or to the Chair of the Board.

## In attendance

The Chief Executive Officer, Director Corporate Services and Senior Manager Risk and Compliance are to be in attendance.

## Chairperson

The Board will appoint a one of the Directors to Chair Committee meetings for a period not exceeding twelve calendar months.

A Chairperson is eligible for reappointment at the close of the twelve calendar month period, at the discretion of the Board.

## Quorum

A quorum for the Committee meeting shall consist of three Committee members, at least one of which shall be an independent member.

## Meetings

Meetings should be scheduled for at least four times per year, with additional meetings to be scheduled should the Committee or Board consider this necessary.

Meeting agendas will be prepared and provided in advance to members, along with

appropriate briefing materials. Minutes will be prepared and provided within a reasonable time and normally within two weeks of the meeting being held.

The Committee should report to the Board after each meeting. The report should cover the following:

- The Committee's minutes.
- Any formal resolutions or decisions of the Committee.
- Information about the audit process and significant recommendations and results from audits; and
- Any major issues of which the Committee believes the Board should be informed of.

The secretariat function of the Committee will be undertaken by the HNC Senior Manager Risk and Compliance.

## Voting

Each member of the Committee has a vote on each question to be decided. Voting at a meeting must be open and questions decided by a majority of the votes of the members present (in person or via tele or video conference). If, however, votes are equal, the member presiding as Chairperson has a casting vote. If a member/s fails to vote, the member is taken to have voted in the negative.

## Conflict of Interest

Where Committee members have a perceived or real conflict of interest in an issue being or to be considered at a meeting, the member must declare the conflict of interest to the Committee and not be present while the matter, or a related matter, is being considered by the Committee or otherwise take part in any decision of the Committee in relation to the matter or a related resolution.

## Confidentiality and Expectation of Membership

Members of the Committee will, at all times in the discharge of their duties and responsibilities, exercise honesty, objectivity and probity and not engage knowingly in acts or activities that have the potential to bring discredit to the Company.

Members must also refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and must at all times act in a proper and prudent manner in the use of information acquired in the course of their duties. Members must not use Company information for any personal gain for themselves or their immediate families or in any manner that would be contrary to law or detrimental to the welfare of the Company.

Further, members must not publicly comment on matters relative to activities of the Committee other than as authorised by the Board and will maintain absolute confidentiality.

## Function

The Committee will carry out the following responsibilities:

### **Financial Reports**

Review significant accounting and reporting issues and understand their impact on the financial report. These issues include:

- Complex or unusual transactions and highly judgemental areas

- Major issues regarding accounting principles and financial statement presentations, including:
  - any significant changes in the Company's selection or application of accounting principles
  - the effect of regulatory and accounting initiatives on the financial report of the Company
  - review and approve all significant accounting policy changes.
- Review reports prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgements made in connection with the preparation of the financial report of the Company.
- Review, with management and the External Auditor, the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the Auditor's activities or on access to requested information, and any significant disagreements with management.
- Discuss the annual audited financial reports with management and the External Auditors.

### **Internal Control**

- Consider the effectiveness of the Company's internal control system, including information technology security and control.
- Understand the scope of the External Auditors' review of internal controls in relation to financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Consider and approve the recommendations of management in relation to the level and extent of internal audit activities which are designed to ensure compliance with policies, laws, and regulations and to identify process improvements and efficiencies.

### **External Audit**

- Review the External Auditors' proposed audit scope and approach.
- Review the performance of the External Auditors. In performing this review, the committee will:
  - Take into account the opinions of management
  - Review and evaluate the lead partner of the External Auditor
  - Present its conclusions with respect to the External Auditor to the Board
  - Meet separately with the External Auditors to discuss any matters that the Committee or Auditors believe should be discussed privately.

### **Internal Audit**

- Review and endorse the Internal Audit Charter for approval of the Board.
- Review and approve the annual Internal Audit Plan, and any changes to the plan (The Internal Audit Plan should include a draft forward program for an ensuing 2 years). Once approved, the Internal Audit Plan must be forwarded to the HNC Board for noting.
- Monitor the status of the Internal Audit Plan.
- Review final internal audit reports, including recommendations and agreed actions to address control gaps.

- Monitoring internal audit recommendations to ensure that agreed improvement actions are managed appropriately.
- Making enquiries to determine and resolve any scope or budget limitations that may influence the execution of the Internal Audit Plan.
- Monitoring compliance with relevant internal audit standards in respect of quality management.
- If deemed necessary, meet with the Internal Auditor separately from management to discuss any matters the Committee or Internal Auditor believe should be discussed privately.
- Any other matter that the A&RMC considers relevant to the Terms of Reference of the Committee.

### **Compliance**

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation, and follow-up including disciplinary action of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any Auditor observations.
- Review the process for communicating the Company's Code of Conduct and other fraud and corruption prevention controls to staff, and for monitoring compliance therewith.
- Obtain regular updates from management regarding compliance matters.

### **Risk, Incident and Complaint Management**

- Ensure that the Company and its controlled entities have effective risk, incident and complaint management systems established and operating in accordance with Australian Standards.
- Ensure the Company has identified the principal strategic, operational, clinical, and financial risks to which it is exposed.
- Ensure that systems and policies are in place to facilitate the effective monitoring and management of the principal risks to which the Company is exposed.
- Evaluate the Company's exposure to fraud through the development and implementation of a Fraud and Corruption Control System and receive reports from management regarding suspected and actual corruption and breaches of law.
- Ensure management accountability in relation to risk, incident and complaint management.
- Monitor the impact of changes to the risk profile of the Company.
- Ensure that timely and accurate information is presented to the Board, including any anticipated exposure to risks and incidents that could materially affect the reputation and/or operation of the Company.
- Review and advise on any matters in relation to risk and incident management raised by Board, staff, or management.
- Receive regular reporting, including a risk register, from management on how risks are being managed and action plans to reduce high risk areas to a risk level that is acceptable to the Committee and the Board.

## Reporting Responsibilities

- Regularly report to the Board about Committee activities and issues that arise with respect to the quality or integrity of the Company's financial reports, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's External Auditors, the performance of the internal audit function and the risk, incident and complaint management activities of the Company.
- Provide an open avenue of communication between the External Auditors and the Board.

## Other Responsibilities

- Review the processes of accountability for any significant transaction which is not part of the Company's core business.
- Perform other activities related to this Terms of Reference as requested by the Board.
- Institute and oversee any special projects or investigations as needed.
- Review and assess the adequacy of the Committee's Terms of Reference annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this Terms of Reference have been carried out.
- Unless otherwise determined by the Board, the Committee is to self-evaluate its performance, including that of the Chair and its individual members, at least annually (see below).

## Performance Assessment

- The Board, in consultation with the Chair of the Committee, must establish a mechanism to review and report on the performance of the Chair and each member, at least annually.
- The results of the review must be provided to the Chairperson of the Board who should consider the findings and any recommendations and, if required, ensure appropriate action is taken to improve the Committee's performance. The Chairperson of the Board must also provide formal feedback to the Chair of the Committee on his or her performance. The Chair of the Committee must, in turn, provide formal feedback to Committee members on their performance.
- Committee meetings will be evaluated for relevance and effectiveness each meeting.