

# PathWest Board

## Finance, Risk and Audit Committee

## Terms of Reference

March 2022  
Version: 1.0

## 1. Background and Establishment

The PathWest Laboratory Medicine WA (**PathWest**) Board has appointed a Finance, Risk and Audit Committee (Committee) in accordance with:

- Section 92 of the Health Services Act 2016 (the Act);
- WA Health Internal Audit Policy (issued 1 July 2016) under the System Manager Risk, Compliance and Audit Policy Framework;
- Section 53(1)(d) of the Financial Management Act 2006; and
- Treasurer's Instructions.

Accordingly, the PathWest Board (**Board**) has determined to appoint the PathWest Board Finance, Risk and Audit Committee by resolution dated 7 April 2022. The Committee will be responsible for assisting the Board to perform its functions as set out in the Terms of Reference.

The Board is charged with ensuring the Committee is properly equipped and set up to perform the delegated functions. Notwithstanding any delegation by the Board, the Board retains accountability and responsibility for the functions which the Committee is established to assist it with performing.

The Terms of Reference set out the specific responsibilities of the Committee and describe the manner in which it will operate. These Terms of Reference are effective on and supersede all prior Terms of Reference applicable to the Committee from 7 April 2022 in accordance with a resolution of the Board made 7 April 2022.

## 2. Purpose and Objective

- 2.1 The role of the Committee is to assist the Board to perform its functions by providing independent oversight and leadership for financial, risk management, audit, procurement, compliance and other governance programs and assurance activities.
- 2.2 The Committee will make recommendations to the Board in connection with:
  - a) The PathWest annual internal audit plan and budget.
  - b) The effectiveness of procurement, risk, compliance and audit functions.
  - c) PathWest Executive's development and implementation of appropriate systems of internal control, risk management, governance and compliance controls.
  - d) PathWest financial performance against the approved budget, key performance indicators and organisational priorities.
  - e) The formation of strategies for improving PathWest's financial position
  - f) The Board's external obligations as prescribed in the *Financial Management Act 2006* (WA), *Auditor General Act 2006* (WA), Treasurer's Instructions and other relevant legislation as it applies to PathWest.
- 2.3 The Committee is also to ensure the implementation of and adherence to the Risk, Compliance and Audit Policy Framework along with the Finance Management Policy Framework and governance aspects of other Policy Frameworks.
- 2.4 The Committee is directly responsible and accountable to the Board for the exercise of its duties and responsibilities. In carrying out these duties and responsibilities, the

Committee recognises that day to day responsibility for management of PathWest rests with the Chief Executive

### 3. Functions and Responsibilities of the Finance, Risk and Audit Committee

#### 3.1 Financial Management

- 3.1.1 Review the PathWest budget and confirm it is aligned with the PathWest strategic plan and system-wide priorities.
- 3.1.2 Review and recommend to the PathWest Board the approval of the PathWest annual budget.
- 3.1.3 Review and make recommendations to the Board in respect to PathWest's arrangements and obligations to confirm the health service complies with the *Financial Management Act 2006* (FMA) and Treasurer's Instructions.
- 3.1.4 Monitor the adequacy of PathWest's financial outcomes and controls, having regard to PathWest operational requirements and its obligations under the FMA including:
  - a) ensuring PathWest operates in a manner that is efficient and economical and/or achieves PathWest objectives
  - b) ensuring PathWest has a financial management system that complies with the requirements prescribed by the Treasurer's Instructions
  - c) reviewing the annual estimate for PathWest financial operations.
- 3.1.5 Report to the PathWest Board any significant or material financial risks.
- 3.1.6 Review mitigation strategies on financial risks or concerns identified that impact on the financial performance and reporting obligations of PathWest.
- 3.1.7 Review resource decisions that will have an out-year impact at a whole of PathWest level.
- 3.1.8 Review commercial operations and business arrangements as required.
- 3.1.9 Review any significant financial decision, project or and contract, equal to or above the amount of \$5 million dollars that will have a financial impact on PathWest.
- 3.1.10 Review and make recommendations to the Board regarding the PathWest and HSP Service Level Agreements (SLA).
- 3.1.11 Monitor and review the PathWest key financial performance indicators linked to the HSP service agreements and the annual report.
- 3.1.12 Review and recommend for approval to the PathWest Board the PathWest annual financial statements.
- 3.1.13 Review the report on the financial operation of PathWest, provided by the Chief Financial Officer.
- 3.1.14 Recommend to the PathWest Board if a notice of financial difficulty should be made by the PathWest Board to the Director General, Department of Health. (The HS Act indicates that if the Board of a Health Service Provider is unable to, or will be unlikely to be able to, satisfy any of its financial obligations from the financial resources available, or likely to be available to

it, at the time the financial obligation is due the Board must notify the Director General of Health).

### **3.2 Internal audit**

- a) Review and endorse the rolling three-year Strategic Internal Audit Plan (SIAP) and the Annual Internal Audit Plan (AIAP).
- b) Recommend the approval of the internal audit plan to the Board.
- c) Monitor the effectiveness, delivery and independence of the internal audit function.
- d) Ensure that PathWest's internal audit functions and roles have direct access to the Board Chair and the Committee.
- e) Review and consider internal audit reports presented to the Committee including the review and monitoring of recommendations and commitments made by management to address audit findings.
- f) Provide advice and guidance to management, the PathWest Chief Executive and the Audit Manager in response to audit matters.
- g) Monitor PathWest's compliance framework including processes in place to identify and manage compliance requirements.
- h) Provide oversight of PathWest's internal control system via various processes including risk management, quality assurance and internal and external audit.
- i) Maintain oversight of PathWest's compliance with its code of conduct, code of ethics, policies and procedures.
- j) Provide advice to the Board on the operation of internal audit function and the adequacy, effectiveness and efficiency of internal controls.
- k) Ensure there is an effective compliance framework for monitoring compliance with relevant laws, regulations and government and PathWest policies.
- l) Oversee internal controls are generally operating efficiently, effectively and economically.

### **3.3 Risk management**

The primary responsibility of the Committee in relation to risk is to oversee and approve PathWest's risk management practices. This is to assist the Board in ensuring that PathWest has identified and assessed all material risks that it faces (such as strategic, financial, security, property, IT, legal, regulatory, reputational) and has established a risk management infrastructure capable of addressing those risks.

The responsibilities of the Committee regarding risk management are to:

- a) Review and endorse PathWest's risk management policies and framework which include risk management, business continuity, fraud and corruption and insurance.
- b) Monitor PathWest's strategic (material) risk exposures.
- c) Provide oversight of the management of operational and project risks and responses to plans for the reduction of unacceptably high risk (Treatment Action plans).

- d) Regularly review the risk profile of PathWest.
- e) Review the effectiveness of PathWest process for identifying, monitoring, managing and escalating risks (including risks with low likelihood but that may have catastrophic consequences).
- f) Periodically review and evaluate the effectiveness of PathWest policies and practices with respect to risk assessment and risk management.

### **3.4 External audit**

The provisions of the *Financial Management Act 2006* and the *Auditor General Act 2006* regulating the financial administration, audit and reporting of statutory authorities apply to PathWest. PathWest's external audit is provided by the Office of the Auditor General (OAG)

The responsibilities of the Committee regarding external audit are to:

- a) Monitor PathWest relationship with the external auditor.
- b) Provide feedback on the audit coverage proposed by OAG.
- c) Provide feedback on audit services provided.
- d) Monitor the implementation of recommendations made by external parties.
- e) Oversight of Quality Assurance audit processes.
- f) Review the implementation of external audit and external agency (i.e. Corruption and Crime Commission, Public Sector Commission) recommendations in consultation with management, and where issues remain unresolved ensure that satisfactory progression is being made to mitigate the risk associated with their findings.

### **3.5 Legal and regulatory obligation**

- a) Review PathWest's approach to achieving compliance with statutory and regulatory obligations.
- b) Monitor any high risk legal or compliance matters through to conclusion.

## **4. Powers of the Finance, Risk and Audit Committee**

4.1 The Committee will hold the powers delegated to it by the Board. The Committee will conform to any directions and financial limits within which it is required to operate as imposed on it by the Board.

4.2 In discharging its responsibilities, the Committee has the authority to:

- a) After receiving approval from the Board, obtain legal advice in accordance with the Legal Policy Framework or independent professional advice and secure the attendance of an outsider with relevant experience and expertise if considered necessary.
- b) Recommend investigations into matters within its scope of responsibility, and access information, records and personnel of PathWest for this purpose.
- c) Request attendance of any employee, including executive staff, at Committee meetings.
- d) Resolve any disagreements between management and the auditor regarding reporting.

- e) Conduct meetings with other Board Committees, internal and external auditors as necessary (without the presence of management, if desired).

## **5. Delegation of authority to a sub-committee**

- 5.1 The Finance, Risk and Audit Committee does not have the authority to create sub-committees.
- 5.2 Neither the Committee nor the Committee Chair has the authority to delegate any powers, functions or responsibilities contained in these Terms of Reference or as delegated by the Board from time to time.

## **6. Structure and composition of the Finance, Risk and Audit Committee**

### **6.1 Membership appointment**

- a) Membership of Finance, Risk and Audit Committee is to be recommended by the PathWest Board Finance, Risk and Audit Chair, with the Board to approve and appoint all members. Members will be selected to ensure an appropriate mix of skills and experience relevant to the responsibilities and objectives of PathWest
- b) The Committee must have at least three (3) members, with members to have an initial terms of not more than three years and a maximum total period of service of not more than six years.
- c) The Committee must comprise at least two (2) persons who are current members of the Board.
- d) A person who is a staff member of PathWest (as defined in section 6 of the HS Act) is not eligible to be a member of the Committee.
- e) The Chair of the committee must be suitably qualified professional. Suitably qualified means having current membership of either:
  - i. CPA Australia as a CPA; or
  - ii. Chartered Accountants Australia and New Zealand as a Chartered Accountant; or
  - iii. The Institute of Public Accountants as a Member of the Institute of Public Accountants; or
  - iv. The Institute of Internal Auditors; or
  - v. Appropriate membership of an overseas accounting body that is approved in writing by any two of the aforementioned bodies as having requirements for membership equivalent to those of the approving body; an association such as ISACA (an international professionals association focused on IT Governance) or the Australia Information Security Association (AISA); or
  - vi. Law Society of Western Australia Inc. or the Western Australian Bar Association; or
  - vii. Other professional bodies deemed as appropriate by the Board Chair or the Committee Chair.



## 6.2 Chair

- a) An independent Chair must perform their role without any management responsibilities.
- b) The Committee Chair shall be a member of the Board as nominated by Board from time to time.
- c) The Board Chair cannot act in the capacity as Committee Chair.
- d) If the Committee Chair is absent from a meeting or vacates the Chair at a meeting, the Committee Chair must appoint another member to act as the Committee Chair on a temporary basis. Where the Committee Chair is unavailable to or does not otherwise appoint another member to act on a temporary basis as the Chair then the Committee shall elect a temporary Chair from those members of the Committee present at any such meeting.

## 6.3 Invitees, Standing invitees and attendance by Board Members

- a) Holders of the following positions shall be **standing invitees** to and shall be given notice of all meetings of the Committee. Any standing invitees shall not become a member of the Committee by virtue of such attendance, may not vote on Committee decision and are not included in determining a quorum for a meeting of the Committee):
  - i. Chief Finance Officer
  - ii. Manager, Audit and Risk
  - iii. Manager, Office of the Chief Executive
  - iv. PathWest Board Chair
  - v. PathWest Chief Executive
- b) Holders of the following PathWest positions or equivalent positions may not be members of the Committee; may not vote on Committee decisions; and are not included in determining a quorum for a meeting of the Committee however they **may be invited** to attend from time to time meetings of the Committee by the Committee Chair:
  - i. PathWest Board Chair
  - ii. PathWest Executive
- c) The Committee may from time to time resolve that the holders of certain positions (or equivalent positions) at PathWest and/or Board shall be standing invitees to all meetings of the Committee (although such persons shall not be members of the Committee, may not vote on Committee decisions and are not included in determining a quorum for a meeting of the Committee).
- d) Any member of the PathWest Board may attend Committee meetings (although any such members of the Board not expressly appointed to the Committee shall not become a member of the Committee by virtue of such attendance, may not vote on Committee decisions and are not included in determining a quorum for a meeting of the Committee).

## 6.4 Other participants

- a) The Committee Chair may request other PathWest Executives, PathWest personnel, the Department of Health Chief Financial Officer or equivalent role or external parties to attend a meeting of the Committee; however, such

persons do not assume membership of the Committee or participate in any decision-making processes of the Committee and are not included in determining a quorum for a meeting of the Committee.

## **6.5 Secretariat**

- a) Secretariat support will be provided to the Committee by the PathWest Board support office.
- b) All records, including the agenda, minutes and any reports or recommendations will be prepared and retained by PathWest in accordance with *State Records Act 2000* and pursuant to the Health Service Provider Board Governance Policy, as set out within the PathWest Board Manual.
- c) Individuals who are not members of the Board shall only have access to the minutes, reports, recommendations and/or documents of the Committee with the prior approval to the Committee Chair or the Board Chair where the Committee Chair considers it appropriate to refer to the matter to her/him for approval. Any individual permitted to access such materials will observe the confidentiality obligations imposed upon a Board Member and such obligations shall apply to all such persons.

## **7. Meetings**

### **7.1 Meeting schedule**

- a) Committee meetings will be held at least four times per year. Meetings should be scheduled to coincide with key dates in the reporting cycle with consideration given to the Board meeting cycle.
- b) The Committee Chair will convene meetings of the Committee whether pursuant to any schedule or timetable or from time to time.
- c) The Committee Chair will call a meeting of the Committee if so requested by any member(s) of the Committee or Board Chair within a reasonable period of such a request(s).
- d) Notwithstanding any existing meeting date, schedule or timetable having been set, the Committee Chair may call additional meetings of the Committee to consider any items that are:
  - i. unable to be accommodated within existing meeting schedule or timetable
  - ii. of such urgency that it requires consideration prior to the next scheduled meeting.

### **7.2 Quorum**

- a) A quorum for any Committee meeting will be the majority of Committee members and must include no less than one Board Member.
- b) At the discretion of the Committee Chair, the members may attend meetings of the Committee in any manner (including by video or teleconference) by which the Board Members may attend meetings of the Board.

### **7.3 Voting**

- a) The majority of affirmative votes of a quorum at a meeting of the Committee are sufficient to pass a resolution.



- b) Each Committee Member's vote has equal weight.
- c) In the case of an equal number of votes, the Committee Chair shall have a casting vote in addition to their deliberative (i.e. normal) vote as a Committee Member.

#### **7.4 Agenda and papers**

- a) The Committee meetings will abide by normal meeting procedure and will be minuted. An agenda and supporting papers will be distributed not less than five (5) working days prior to the meeting. Draft minutes will be circulated not more than seven (7) days after each meeting.
- b) The Committee will receive the following reports (in the form and style as requested by the Committee from time to time) from PathWest Executive as standing items:
  - i. Status of matters relating to internal audit
  - ii. Status of matters relating to external audit
  - iii. Status of matters relating to risk management
  - iv. Status of matters relating to corporate governance and legal issues
- c) The Committee will also receive those further reports (whether as standing items, on a period or ad hoc basis) as specified by the Committee Chair or the Board from time to time.

#### **7.5 Out-of-session matters**

- a) Urgent matters can be progressed out-of-session with agreement of the Committee Chair.
- b) Matters progressed out-of-session and out-of-session votes may occur in the same manner as an out-of-session matter or vote with respect to the Board. A reasonable time must be given to vote. A quorum of members must vote for a decision to stand.
- c) Confirmation of those matters progressed out-of-session and the outcome of any out-of-session vote shall be included in the meeting agenda for the next Committee meeting and confirmation of the outcome of any out-of-session vote recorded in the minutes of the next meeting of the Committee.

### **8. Formal mechanisms for reporting key decisions**

#### **8.1 Making recommendations**

- a) The Committee makes recommendations to the Board in regard to items within its Terms of Reference.
- b) Recommendations of the Committee will be regarded as its collective decision or advice unless there is material dissension. Where there exists a material dissension both the majority and minority view will be recorded in the minutes of the meeting.
- c) If consensus cannot be reached, the Committee Chair reserves the right to escalate the matter to the Board. Both the majority and minority view will be recorded in the minutes of the meeting and submitted to the Board.

- d) Where the matter for consideration is not solely within the scope of the Committee and falls within the scope of another Board Committee, the matter shall also be referred to that other Board Committee for consideration.
- e) When the matter for consideration is beyond the scope of the Committee, it shall be recorded in the minutes of the Committee and the matter is to be referred to:
  - i. another Board Committee if considered to fall within the scope of another Board Committee; or
  - ii. if not within the scope of another Board Committee, or where relevant then in addition to, the Board.

## **8.2 Reporting key decisions**

- a) The Committee will develop two-way communications through formal and ad hoc reporting to both the Board and the Board Chair.
- b) The Committee reports directly to the Board.
- c) The minutes of the Committee meetings (whether draft or approved) shall be included in the papers for the next Board meeting.
- d) Once finalised and approved the minutes of each Committee meeting shall be made available to all Board Members whether through a central data repository or other medium accessible by all Board Members.

## **9. Ethical practices**

- 9.1 Committee Members must at all times comply with relevant the WA health system Policy Framework mandatory requirements.
- 9.2 In accordance with the section 79(1)(2) of the HS Act, all Committee Members must act impartially and in the public interest in the exercise of the member's functions. Accordingly, they must put the public interest before the interest of PathWest, the personal interests of the Committee Member or any Board Member.
- 9.3 Committee Members will at all times in the discharge of their duties and responsibilities exercise honesty, objectivity, independence and not engage knowingly in acts or activities that have the potential to discredit PathWest, the Board, the Committee and/or individual Committee or Board Members.
- 9.4 Committee Members will refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and will, at all times, act in a proper and prudent manner in the use of information acquired in the course of their duties.
- 9.5 Committee Members will not use PathWest information for personal gain or in any matter that would be contrary to law or detrimental to the welfare and good will of another person, the Committee, the Board, PathWest or the WA health system.
- 9.6 Committee Members must not publicly comment on matters related to activities of the Board, the Committee and/or PathWest other than as authorised by the Board.
- 9.7 The PathWest Secretariat shall on behalf of the Board and the Committee maintain the following in accordance with the *Health Service Provider Board Governance Policy*:

- a) a register of personal interests of all members of the committee and any standing invitees to the Committee meetings together with any management plan regarding such personal interests
  - b) a register of all declarations of personal interest and/or actual, potential or perceived conflicts of interest declared by members of the Committee or any attendees at a meeting of the Committee, together with any management plan regarding such conflict of interest; and
  - c) a register of gifts.
- 9.8 Committee Members must declare all material personal interests and any actual, potential or perceived conflicts of interest or duty. Actual, potential or perceived conflicts of interest must be managed pursuant to the *Health Service Provider Board Governance Policy*.
- 9.9 A Committee Member who has a material personal interest or in respect of whom there exists an actual, potential or perceived conflict of interest in a matter being considered or about to be considered by the Committee must, as soon as possible after the relevant facts have come to the Committee Member's knowledge, disclose the nature of such personal interest or an actual, potential or perceived conflict of interest first to the Committee Chair and then at a Committee meeting.
- 9.10 Subject to clause 9.11, Committee Members and any other person otherwise in attendance at a Committee Meeting must not be present while a matter is being considered, participate in discussions and must not vote on any issues in respect of which there is a material personal interest or where there exists an actual, potential or perceived conflict of interest.
- 9.11 A Committee Member may be present while a matter is being considered, participate in discussions and/or vote on the matter where the Committee has passed a resolution that specifies the Committee Member has a material personal interest or actual, potential or perceived conflict of interest but the Committee considers the interest or conflict:
- a) as so trivial or insignificant as to be unlikely to influence the disclosing Committee Member's conduct
  - b) they should not be disqualified from considering or voting on the matter in question pursuant to section 82 of the HS Act.

## 10. Confidentiality

- 10.1 Committee Members may from time to time be in receipt of information that is regarded as confidential. Committee Members acknowledge their responsibility to maintain confidentiality of all information that is not in the public domain.
- 10.2 Committee Members and any other invitee or attendee to a Committee meeting in receipt of the Committee papers will maintain the Committee papers in a confidential manner separate from any other business or responsibilities of the Committee Member other than business or responsibilities of the Committee Member as a Board Member.
- 10.3 Committee Members and any other invitee to or attendee at a Committee meeting in receipt of Committee papers or otherwise privy to information will observe the confidentiality obligations as imposed upon a Board Member.

## 11. Code of Ethics and Code of Conduct

11.1 Committee Members and any other invitee to a Committee meeting will observe the obligations with respect to the code of ethics and code of conduct as imposed upon a Board Member.

## 12. Evaluation



12.1 The Committee will undertake an annual self-assessment of its performance to provide assurance the Committee remains fit-for-purpose and to identify and action any areas in which the effectiveness of the Committee could be improved.

12.2 The Committee will provide a report on the annual review of performance and achievements to the Board.

12.3 The Committee's annual self-assessment must be aligned with the Board's evaluation framework and be provided to the Board in advance of the Board's annual self-assessment.

The committee will also evaluate its effectiveness as part of the external evaluation process which is a mandatory regulation of the IPPF Standard 1312 – External Assessments. This requires an independent assessment of the audit functions including the committee by a qualified, independent assessor.

## Endorsement

Committee Chair	Board Chair
Ms Michele Dolin	Ms Angie Paskevicius
	
7 April 2022	7 April 2022

## Review date

This document will be reviewed every year from the date of approval. The next review will be prior to March 2023.

### 13. Change control register

Version	Author	Reviewed by	Approved by	Change Summary
0.1	M Ielati			Initial document
0.2	M Ielati	K Taylor L Murphy A Bautista		Feedback incorporated from K Taylor and L Murphy for further review.
0.3	M Ielati	K Taylor		Further feedback incorporated from K Taylor
0.4	M Ielati	A Bautista		Feedback incorporated from A Bautista
0.5	M Ielati	M Dolin S Elder		Feedback incorporated from M Dolin and S Elder
0.6	M Ielati	A Bautista		Final draft prepared for FRAC Meeting
1.0	M Ielati	PathWest Board	PathWest Board	Nil – draft approved by Board.