



GOVERNMENT OF
WESTERN AUSTRALIA



PathWest
LABORATORY MEDICINE WA



PathWest Board

Finance, Risk and Audit Committee

Terms of Reference

June 2024
Version: 3.1

1. Background and Establishment

- 1.1 The PathWest Laboratory Medicine WA (**PathWest**) Board has established a Finance, Risk and Audit Committee (Committee) which acts in an advisory capacity¹, in accordance with:
- Section 92 of the *Health Services Act 2016* (the HS Act);
 - Section 53(1)(d) of the *Financial Management Act 2006*;
 - Treasurer's Instructions; and
 - the *International Standards for Professional Practice for Internal Auditing* (Audit Standard 1111).
- 1.2 The Committee is responsible for assisting the Board to perform its functions as set out in this Terms of Reference (ToR). The Board is charged with ensuring the Committee has such powers and authority delegated to it and is properly equipped and set up to perform the delegated functions. Notwithstanding any delegation by the Board, the Board retains the ultimate responsibility and accountability for the performance of all powers, authority and functions, including any particular powers, authority and functions which may have been delegated.
- 1.3 The Board must make any delegation of powers, authority and functions by a resolution of the Board, and the Board Chair must sign an instrument of delegation in accordance with that Resolution.
- 1.4 In these ToR, any term not specifically defined shall have the same meaning as the HS Act, unless the context otherwise applies.
- 1.5 In these ToR, any reference to:
- a) A Policy Framework, Department CEO Direction, laws and instruments binding upon PathWest includes any amendments thereto or replacements thereof.
 - b) A document, instrument or agreement other than an item within 1.6(a) does not include any amendments or replacements where they materially affect the operation and discharge by the Committee of its functions and responsibilities under these ToR until such time as the Board has approved the consequential changes to these ToR necessary to address any such amendments or replacements.
- 1.6 These ToR are effective on and supersede all prior ToR applicable to the Committee from 6 June 2024 in accordance with a resolution of the Board made 6 June 2024.

2. Purpose and Objective

- 2.1 The purpose 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 (AIAP) 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

¹ [Health Service Provider Board Governance Policy – Health Service Provider Boards Governance Guide](#)

indicators and organisational priorities.

- e) The formulation of strategies for improving PathWest's financial position
 - f) The Board's external obligations as prescribed in the *Financial Management Act 2006 (WA)* (FMA), *Auditor General Act 2006 (WA)*, Treasurer's Instructions, Audit Standard 111, and other relevant legislation as it applies to PathWest.
- 2.3 The Committee is also to oversee the implementation of and adherence to the Department of Health's Risk, Compliance and Audit Policy Framework, Finance Management Policy Framework, Department of Health Risk Management Policy and governance aspects of other relevant 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 Committee

3.1 Financial Management

- a) Review and recommend to the PathWest Board, the approval of the PathWest Annual Budget.
- b) Monitor the adequacy of PathWest's financial outcomes and controls, having regard to PathWest operational requirements and under the FMA including:
 - i. ensuring PathWest operates in a manner that is efficient and economical and/or achieves PathWest objectives;
 - ii. ensuring PathWest has a financial management system that complies with the requirements prescribed by the Treasurer's Instructions; and
 - iii. reviewing the annual estimate for PathWest financial operations.
- c) Report to the PathWest Board any significant or material financial risks.
- d) Review mitigation strategies on financial risks or concerns identified that impact on the financial performance and reporting obligations of PathWest.
- e) Review any significant financial decision, project or contract, equal to or above the amount of \$10 million dollars, that will have a financial impact on PathWest.
- f) Review and make recommendations to the Board regarding the PathWest and Health Service Provider (HSP) Service Level Agreements (SLA).
- g) Monitor and review the PathWest key financial performance indicators linked to the HSP service agreements and the Annual Report.
- h) Review and recommend for approval to the PathWest Board, the PathWest annual financial statements.
- i) Review the report on the financial operation of PathWest, provided by the Chief Financial Officer.
- j) 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 cites that if the Board of an HSP 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) Monitor the effectiveness, delivery and independence of the internal audit function.
- c) Review the results of PathWest's Quality Assurance and Improvement Program (QAIP) including the *ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the internal audit activity* in line with the requirements of the Institute of Internal Auditors Professional Practice Framework
- d) Ensure that PathWest's Chief Audit Executive has direct access to the Finance Risk and Audit Chair and members and vice versa (noting that out of session communications between the Board Chair, Committee Members and Chief Audit Executive should be managed in line with the PathWest Board Communications Protocol.
- 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 Manager, Audit and Risk (Chief Audit Executive) in response to audit matters.
- g) Monitor PathWest's compliance framework, including processes in place to identify and manage compliance requirements.
- h) Adopt different monitoring and review processes to ensure effective oversight of PathWest's internal control system including risk management, quality assurance and internal and external audit.
- i) Provide advice to the Board on the operation of the internal audit function and the adequacy, effectiveness and efficiency of internal controls.
- j) 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 of its material risks (such as strategic, financial, security, property, Information Technology (IT), legal, regulatory, and reputational) and has implemented enterprise risk management systems to identify, assess, manage and monitor 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 material strategic risk exposures.
- c) Provide oversight of the management of material operational and project risks and responses to plans for the reduction of unacceptably high risk (Treatment Action Plans).
- d) Review the risk profile of PathWest at quarterly Committee meetings.

- e) Review the effectiveness of PathWest's 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's 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's relationship with the external auditor.
- b) Provide feedback on the audit coverage proposed by the OAG.
- c) Provide feedback on audit services provided.
- d) Monitor the implementation of recommendations made by the Office of the Auditor General.
- e) Review the implementation of external audit and external agency (i.e., Corruption and Crime Commission, and the 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.

3.6 Cyber Security

- a) Review the Cyber Security Framework/Strategy regularly.
- b) Maintain oversight of cybersecurity and other IT risks and controls.
- c) Review the appropriateness of Business Continuity Plans (BCP) and disaster recovery plans.

4. Powers of the Committee

4.1 The Committee will hold the powers delegated to it by the Board and will conform to any directions and financial limits imposed on it by the Board.

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

- a) examine any matter in relation to the Committee's purpose and responsibilities as it sees fit or as requested by the Board.
- b) access information, records and personnel of PathWest for these and other purposes (within the remit of legislation, the statutory board governance policy, the local governance manual and the Communications Protocol).
- c) conduct meetings with internal and external auditors as necessary (without the presence of Executive, if required) and resolve any disagreements between

management and the auditor regarding reporting.

- d) access all levels of Executive management through the PathWest Chief Executive in order to seek information from any employee of PathWest in order to carry out the Committee's responsibilities.
- e) request the attendance of any PathWest personnel and other parties at Committee meetings.
- f) require the provision of reports by PathWest Executive on matters within the scope of the Committee's functions and responsibilities as set out in these ToR
- g) recommend to the PathWest Board that reviews or further reviews be conducted into matters within or related to PathWest within the scope of the Committee's functions and responsibilities as set out in these ToR, whether those investigations be by the Board, PathWest Executive, the Committee, the internal audit function, or any other person or entity (inside or outside of PathWest)
- h) With the approval of the Board:
 - i. obtain legal advice in accordance with the Legal Policy Framework; and
 - ii. obtain independent professional advice of any person or entity outside of PathWest with relevant experience and expertise, if considered necessary by the Committee.

4.3 The Committee may conduct meetings jointly with any one or more other Board Committees where the respective Chairs of each such Board Committee agrees that it is appropriate.

4.4 The Committee may undertake such other tasks as the Board authorises or delegates to the Committee.

4.5 The Committee does not have the authority to enter into contracts or agreements independently of the Board.

5. Delegation of authority to a sub-committee

5.1 The 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 ToR or as delegated by the Board from time to time.

6. Structure and composition of the Committee

6.1 Membership appointment

- a) Membership of the Committee is to be recommended by the PathWest Board Chair, in consultation with the Board. 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 term of not more than three years and a maximum total period of service of not more than nine years.
- c) The Committee may include persons who are not members of the PathWest Board but must include at least two (2) members of the Board. Any Committee member

who ceases to be a member of the Board, shall at the same time cease to be a member of the Committee.

- 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 but may be a member of another health service provider's Finance, Risk and Audit Committee.
- e) The Chair of the Committee must be a suitably qualified professional. Suitably qualified means having current membership of either:
 - i. Certified Practising Accountant (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.

6.2 Chair

- a) The Committee Chair shall be a member of the Board as nominated by the Board Chair from time to time.
- b) The Board Chair cannot act in the capacity as Committee Chair.
- c) 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 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 a Committee decision and are not included in determining a quorum for a meeting of the Committee:
 - i. PathWest Board Chair
 - ii. PathWest Chief Executive
 - iii. Executive Director, Finance, Procurement and Commercial Manager
 - iv. Manager, Risk and Audit Management
 - v. Chief Technology Officer

- 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. Chair of any other Board Committees
 - ii. Executive Director, Operations
 - iii. Others as request by the business of the meeting
- 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 of the Committee Chair or the Board Chair where the Committee Chair considers it appropriate to refer 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 quarterly. Meetings should be scheduled to coincide with key dates in the reporting cycle with consideration given to the Board meeting cycle.

- b) 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 the existing meeting schedule or timetable
 - ii. of such urgency that it requires consideration prior to the next scheduled meeting.
- c) The Committee Chair will call a meeting of the Committee if requested by any member(s) of the Committee or Board Chair within a reasonable period of such a request(s).

7.2 Quorum

- a) A quorum for any Committee meeting is set out under section 86 of the HS Act and is equal to at least half the number of the Committee. If one-half is not a whole number, quorum will be the next highest whole number.
- b) At the discretion of the Committee Chair, the members may attend meetings of the Committee in any manner (including by video or teleconference).

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 have formal minutes. 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 ten (10) working days after each meeting.
- b) The Committee will receive the following reports from PathWest's Executive (in the form and style as requested by the Committee from time to time) 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, including but not limited to, financial and procurement reporting and legal issues
 - v. Cyber security
- c) The Committee will also receive further reports (whether as standing items, on a periodical 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 regarding items within its ToR.
- b) Recommendations of the Committee will be regarded as its collective decision or advice.
- c) Where the matter for consideration is not solely within the scope of the Committee and falls within the scope of another Board Committee or the Board for consideration, the matter shall also be referred to that other Board Committee or the Board for consideration.

8.2 Reporting key decisions

- a) The Committee reports directly to the Board.
- b) The Committee will develop two-way communications through formal and ad hoc reporting to both the Board and the Board Chair.
- 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, Confidentiality and Code of Conduct

- 9.1 Committee Members must at all times comply with relevant WA health system Policy Framework mandatory requirements.
- 9.2 Committee members must at all time comply with the with section 79(1)(2) of the HS Act.
- 9.3 Committee Members will not use PathWest information for personal gain or in any manner 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.
- 9.4 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 Chair.
- 9.5 In accordance with the *Health Service Provider Board Governance Policy* a declaration of interest, conflict of interest and gift register will be maintained.
- 9.6 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.

9.7 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.

9.8 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.

9.9 Committee Members and any other invitee to a Committee or attendee 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 and such obligations shall apply to all such persons.

10. Evaluation



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

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

10.3 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.

10.4 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.

11. Endorsement

Committee Chair	Board Chair
Ms Samantha Elder	Ms Angie Paskevicius
	
30 May 2024	6 June 2024

12. Review date

This document will be reviewed every year from the date of approval. The next review will be prior to June 2025.

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 the Committee Meeting
1.0	M Ielati	PathWest Board	PathWest Board	Nil – draft approved by Board.
2.0	C McGhie	L Murphy		Update Executive Positions
3.0	K Galvin	L Murphy/S Kerr		See Board meeting papers May 2023
3.1	M Ielati	S Elder P O'Farrell L Murphy T Evans	PathWest Board	Addition of cyber security, amend attendees Ethical Practices section.