

firsthealth Limited

Finance, Risk, Audit and Cybersecurity Committee

Terms of Reference

This version: 3.0 June 2023

1. Accountability

The Finance, Risk, Audit and Cybersecurity Committee (FRACC) is an advisory Committee to the firsthealth Limited Board and has no authority to make decisions on behalf of the Board except as set out in these Terms of Reference or as otherwise delegated by the Board.

2. Role

The role of the Finance, Risk, Audit & Cybersecurity Committee is to assist the Board to perform its fiduciary duties and to fulfil its responsibilities in relation to the efficient governance and performance of the Murrumbidgee Primary Health Network (MPHN) by reviewing, advising and making recommendations to the Board. The Committee will take appropriate actions to set the overall corporate 'tone' for quality financial reporting, audit, identifying and managing risk and ensuring cybersecurity is practiced and of high quality, in particular:

- the adequacy of internal financial management, and financial control and reporting systems;
- strategic financial plans and the annual operating budget;
- systems for compliance with relevant legislative and contractual obligations in relation to financial management and external reporting;
- maintenance of effective and efficient external audits;
- related party transactions;
- capital expenditure and investment management activities;
- the overall financial performance of the MPHN;
- ensure that management and the Board consider and implement appropriate risk responses
- consider reports from management and advisors on new and emerging risks and the risk controls and mitigation measures that management has put in place to deal with those risks, and
- adequacy of cybersecurity mechanisms.

The Committee members must ensure that they understand the company's structure, controls and types of transactions in order to adequately assess the risks faced by the company.

3. Functions

The Committee will perform its functions by developing and implementing processes governing financial management, risk management and compliance as set out below:

3.1 Financial Management

The Committee will:

- advise the Board on all financial management and reporting matters;
- regularly review internal practices in relation to financial management;
- periodically review the adequacy of internal and external financial reports;
- periodically review the Board's financial management policies and recommend changes as appropriate;
- review all financial statements and reports as to the reasonableness of their presentation, the appropriateness of the accounting practices adopted, and the adequacy of disclosure before recommending acceptance to the Board;
- review liquidity by assessing cash forecasts and cash balances and keeping itself informed of any actual, likely or potential liabilities that may impact upon the MPHNS's ability to meet its financial commitments;
- review processes to ensure that robust internal controls are implemented, monitored and operating effectively;
- review procedures to ensure the effective stewardship of MPHNS assets and resources;
- review the MPHNS annual budget and individual program budgets to ensure that financial resources are aligned with business plans and submit a recommended annual budget to the Board for approval;
- monitor expenditure against budgets (including program budgets) and recommend changes to the Board as appropriate;
- provide recommendation to board to write-off bad or doubtful debts; and
- develop guidelines and controls for all financial transactions to ensure transparency and accountability.

3.2 Audit

The Committee will:

- review the annual financial statements before their presentation to the Board;
- periodically review the appointment, professional relationships and remuneration of the external auditor;
- meet with external auditors to review results and discuss the adequacy and effectiveness of accounting and financial controls, including the company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs (including the company's Code of Conduct);
- review the terms of the audit engagement and annual audit plan;
- ensure the external audit report is submitted to the committee in a timely manner. The external audit report should include the following matters as a minimum:-
 - a statement by the auditor confirming the accounting standards used;
 - a statement by the auditor as to whether the auditor's report is qualified;
 - discussion of the management letter;
 - a statement by the auditor as to the level of co-operation received from the staff during the conduct of the audit;
 - any deficiencies in the system of internal controls; any unacceptable risks identified by the auditor; and
 - any other questions that may be deemed relevant for the auditor.

3.3 Risk

The Committee will:

- ensure that management and the Board consider and implement appropriate risk responses;
- consider reports from management and advisors on new and emerging risks and the risk controls and mitigation measures that management has put in place to deal with those risks;
- consider the risk management framework and key policies used to identify and mitigate strategic and operational business risks, and monitor the implementation thereof;
- consider the adequacy and effectiveness of the systems of internal control;
- consider whether the overall levels of insurance are appropriate, and
- review any significant compliance risk matters identified and monitor the process in rectifying these matters.

For the avoidance of doubt, the types of risks the Committee will consider include:

- operational;
- legal;
- regulatory and compliance;
- workplace health and safety;
- cybersecurity;
- financial, and
- reputational.

The Committee shall refer matters relating to clinical risk to the most appropriate of either the Clinical Governance Committee or the Board.

3.4 Cybersecurity

The Committee will:

- oversee and advise the Board on the current cyber risk exposure and future cyber risk strategy;
- review at least annually the cyber security breach response and crisis management plan;
- review reports on any cyber security incidents and the adequacy of proposed action;
- keep under review the effectiveness of the Company's controls, services and products to analyse potential vulnerabilities that could be exploited;
- regularly assess what are the MPHNS most valuable intangible assets and the most sensitive information and assess whether the controls in place sufficiently protect those assets and information;
- review the ability to identify and manage new cyber risks;
- assess the adequacy of resources and funding for cyber security activities;
- regularly review the cyber risk posed by third parties including outsourced IT and other partners
- assess staff cybersecurity literacy levels and identify education and training requirements;
- oversee cyber security due diligence undertaken as part of an acquisition and advise the Board of the risk exposure; and
- annually assess the adequacy of the cyber insurance cover.

4. Membership

Members

- MPHN Chair
- MPHN Board directors (3)
- External stakeholder with accounting profession (1)

Non-Voting Members

- MPHN CEO
- MPHN Senior Manager Finance

5. Quorum

A quorum consists of half the total number of the Committee Membership plus one.

6. Committee Operations

A chairperson will be elected by the Board of Directors.

The proceedings of committee meetings are to be minuted and recommendations from each meeting are to be tabled at the ensuing board meeting. The chair should ascertain, at the beginning of each meeting, any conflicts of interest and ensure details are recorded in the minutes of the meeting.

The chairperson will report regularly to the Board on the major activities of the committee. Reports on activities and proposals will be verbal in support of agenda and attachments previously distributed to all board members.

Typically, committee reports to the Board will include reference to such matters as:

- liquidity position;
- financial results and any significant financial variances from budget;
- discussions and relations with the external auditors;
- review of the annual report, and relevant supporting documentation;
- the results of its review of risk management and internal compliance and control systems; and
- recommendations for the appointment or removal of an auditor.

Other matters will be raised at the discretion of the committee.

7. Meeting Schedule

Meetings will be held on the fourth Tuesday of each month immediately prior to each Board Meeting.

8. Communication Mechanisms

A record of the proceedings of all meetings shall be documented and distributed with the agenda seven calendar days prior to the next meeting.

Time Period / Review - TOR and election of chairperson

February 2024

Version Control

Date	Version	Comments/Modifications
24/08/2021	1.1	Change to wording in section 3.1: From approve to recommendation write-off bad or doubtful debts;
22/06/2022	1.2	Draft to reflect incorporation of Risk into the Committee's scope.
28/06/2022	2.0	Committee name amended to "Finance, Risk, Audit and Cybersecurity Committee". Terms of Reference reviewed and approved by firsthealth Limited Board, 28 June 2022.
20/6/2023	3.0	Transfer of document to current firsthealth branding. Amend of review period to February 2024.