

1. RACGP Finance, Audit and Risk Management Committee Terms of Reference

- 1.1 Policy number: CO-O-007.3
- 1.2 Category: Organisational
- 1.3 Approval date: March 2018
- 1.4 Revision date: February 2019
- 1.5 Unit responsible Office of the President and CEO

2. Policy declaration

This Policy is the Terms of Reference document for the Finance, Audit and Risk Management Committee (FARM) of Council. These terms of reference expand upon the FARM Committee's composition, responsibilities, delegations of authority and other rights, interactions with auditors, reporting requirements and meeting procedures.

This policy is endorsed by the CEO and approved by Council.

3. Purpose

The FARM Committee will provide assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders, potential shareholders, and others relating to:

- The effectiveness of the RACGP's risk management identification and controls
- The integrity of the RACGP's financial statements
- The effectiveness of the RACGP's internal control over financial reporting
- The RACGP's compliance with legal and regulatory requirements
- The independent auditor's qualifications and independence; and
- The performance of the RACGP's internal auditor and external auditor.

The FARM Committee is responsible:

- For maintaining free and open communication between itself, the external auditor, the internal auditors and management of the RACGP; and
- For determining that all parties are aware of their responsibilities.

4. Roles and Responsibilities

4.1 Overview

The FARM Committee's key responsibilities and functions are to:

- Monitor the independence of the external auditor and the external audit function
- Monitor the independence of the internal auditor and the internal audit function
- Review of the monthly financial statements and reports including the Annual Report Financials and Budgets
- Oversee the RACGP's financial controls and systems; and
- Manage the process of identification and management of risk.

Management's key responsibilities are:

- The preparation, presentation and integrity of the Company's financial statements
- For the appropriateness of the accounting principles, reporting policies that are used by the Company
- For establishing and maintaining internal control over financial reporting; and
- Implement risk management actions and strategies.

4.2 **Audit and Finance**

The FARM Committee's primary roles are:

- To assist the Council in relation to the reporting of financial information
- To ensure the appropriate application and amendment of accounting policies
- The appointment, independence and remuneration of the external auditor; and
- To provide a link between the external auditors, the Council and senior management of the RACGP.

4.3 **Risk and Controls**

The FARM Committee's function with respect to risk management is to review and report to Council that:

- The RACGP's ongoing risk management program effectively identifies areas of potential risk
- The RACGP's anti-fraud programs and controls are adequate
- Monitor management's steps to manage the RACGP's major financial risk exposures
- Adequate policies and procedures have been designed and implemented to manage identified risks, including a risk register, which describes the material risks facing the RACGP; and
- Ensure effective remedial action is undertaken to redress areas of weakness.

This FARM Terms of Reference and the RACGP Risk Management Policy CO-O-015.4 are to operate in conjunction.

4.4 **Compliance**

The FARM Committee's function with respect to compliance is to review and report to Council regarding the effectiveness of the compliance program. FARM procedures would include review and approval of:

- Compliance with laws and regulations (particularly those which have a major potential impact on the RACGP in areas such as trade practices, occupational health and safety, and the environment); and
- Compliance with Corporate Governance practices and regulations including ACNC Rules, Corporations Act and AASB requirements and other best practice corporate governance processes.

4.5 **Financial Reporting**

The FARM Committee's function with respect to financial reporting is to review and report to Council on the financial reports of the RACGP as follows:

- Review the monthly financials and management's analysis report
- Review the annual audited financial statements
- Discuss the annual external audit
- Review and assess the appropriateness of the RACGP's accounting policies and principles and any significant changes therein
- Review and assess any significant estimates and judgments in financial reports; and
- Review and assess the processes used by management to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting by the RACGP of financial and non-financial information.

4.6 **Internal Auditors**

The FARM Committee responsibilities for the internal audit function include the following:

- Make recommendations to Council for the termination or appointment of internal auditors
- Review the internal auditor's mission, charter and resources
- Communicate in writing the Committee's expectations to the internal auditor
- Review and assess the scope of the internal audit and the audit plan, as well as the systems to monitor and evaluate the effectiveness of the internal auditor

- Monitor and assess the progress of the internal audit and any implications that may arise for the control environment
- Review and monitor management's responsiveness to the internal auditor's findings and recommendations
- Oversee the co-ordination of the internal auditors with the work of the external auditors; and
- Ensure that the internal auditor reports to the Council via the FARM Committee.

4.7 External Auditors

The FARM Committee responsibilities for the external audit function include the following:

- Review the scope of the external audit including identified risk areas and any additional agreed-upon procedures
- Review and assess non-audit services, with particular consideration given to the potential for the provision of these services to impair the external auditor's judgment or independence
- Review the external auditor's audit fee, and be satisfied that an effective, comprehensive and complete audit can be conducted for that fee
- Review and monitor management's responsiveness to the external auditor's findings and recommendations
- Review with the external auditor any significant disagreements between the external auditor and management, regardless of whether they have been resolved
- Review all representation letters signed by management, and be satisfied that the information provided is complete and appropriate
- Evaluate the External Auditor's independence:
 - Consider, taken as a whole, the various relationships between the RACGP and the external auditor
 - Review and assess information from internal and external auditors that may affect the quality of financial reports; and
 - Review and assess documents and reports to regulators and make recommendations to the Council.

5. Composition

The FARM committee comprises up to six positions as shown below and appointments to these roles shall be confirmed by Council:

- The Chair of the FARM Committee (an independent member with finance, audit and risk management expertise)
- The President of the RACGP
- An independent member of the FARM committee with expertise in information systems in a business setting (optional at discretion of the FARM committee and endorsed by Council)
- A Faculty Chair
- A RACGP Councillor; and
- A Fellow of the RACGP with expertise in financial, audit and/or risk management matters and who is not a RACGP Councillor.

In attendance

The CEO, GM Finance, Finance Manager and the Secretariat.

By invitation

The Internal and External Auditors, and any other staff member as required by the FARM Committee.

Member Terms

FARM Committee Members are appointed for a two-year period and are eligible for reappointment for a further two terms of two years each, which may be extended at Council's discretion. Where a member retires before the date of reappointment or no longer holds the

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position which gave rise to their membership on FARM, a new member may be appointed for the remainder of the term of appointment.

Role of the Chair of the FARM Committee

In addition to the leadership role of an office bearer, the Chair of the FARM Committee chairs, and is responsible for the efficient functioning of the Committee.

The Chair of the FARM Committee will:

- Be familiar with contemporary standards, practices and concepts in risk management
- Understands the statutory requirements of the RACGP as a Not for Profit organisation in respect of financial record keeping and legal requirements of reporting
- Contribute to other college committees at the request of the council or CEO
- Provides advice to Council on statutory reporting matters
- Reports to Council at each Council meeting; and
- Provides advice to the CEO on financial and risk matters as required.

Independent Members

An independent member of the FARM Committee is a person who has been appointed following external advertisement, is not a member of the RACGP and who:

- Has skills relevant to a finance audit and risk committee
- Has not, within the last three years, been employed by the RACGP
- Is not a member of the immediate family of a person who, within the last three years, has been employed in an executive capacity by the RACGP
- Is not a principal of, or consultant to, a professional adviser to the RACGP where that professional adviser has provided significant services to the RACGP
- Is not a significant supplier or customer of the RACGP or a related entity or an officer of or otherwise associated directly or indirectly with a significant supplier or customer; and
- Is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the member's ability to act in the best interests of the RACGP.

Secretariat

- The Secretariat is provided by the GM Finance area.

6. Delegations of Authority and Other Rights

Delegations of Authority:

The FARM Committee has specific delegations of authority as set out the Delegations of Authority Policy CO-O-029.6 as follows:

"5.2.6 Matters delegated to the Chair of the FARM Committee of Council:

- Approval to write-off a debt owing to the College from \$20,001 - \$50,000 excluding GST
- Approval of CEO and Councillors travel plans and expenses; and
- Approval of issue of RACGP credit card in name of the CEO and Councillors and monthly approval of charges to the card."

Other Rights:

The Chair of FARM will chair property purchase working groups under delegation from Council.

The FARM Committee within the constraints of the law, through its Chair, has a right to seek information from any employee and any relevant external party where that information is required in order for the FARM Committee to carry out its responsibilities under these Terms of Reference where the information cannot be obtained from the RACGP CEO or his or her delegates.

The Committee, through its Chair, has a right of access to the internal and external auditors and the right to oversee and coordinate the internal audit activities.

The Committee, through its Chair, may obtain independent professional advice to assist in the discharge of its responsibilities under these terms of reference. Council must be advised in writing before the Committee commissions such advice.

7. Reporting Requirements

The FARM Committee's reports to each Council meeting will include:

- Executive summary of the monthly financial reports
- Monthly financial statements as agreed, including profit and loss statements, balance sheets, and projected cash flow statements
- Any residual risks rated as HIGH under the RACGP's Risk Management policy as identified by the FARM Committee and status of actions to address these High risks plus any material emerging risks
- Recommendations for endorsement on policies relating to financial management
- Review the annual financial statements and make recommendations to Council
- Results of internal and external audits; and
- Any recommendations requiring the Council's approval and/or action.

8. Meeting Operating Procedures

The Committee will hold regular meetings in accordance with the agreed annual work plan. During the course of the year, additional ad hoc meetings may also be called by the Chair of the FARM Committee.

The Chair must call an ad hoc meeting of the Committee if requested to do so by Council or by any two FARM Committee members acting jointly, or by the internal auditor or by the external auditor. At least 7 clear days notice shall be given of any ad hoc meetings.

Any Councillor may join meetings of the Finance, Audit and Risk Management Committee as an observer.

Agenda:

The Secretariat, in conjunction with the Chair, is responsible for agenda preparation, with supporting documentation, and its circulation. Agenda papers can be requested from management. Contributions to the agenda should be sought from internal and external auditors.

The agenda and supporting agenda papers must be distributed at least five working days prior to each meeting.

Quorum:

A quorum shall consist of four Committee members, at least one of whom must not currently be on RACGP Council. Where the Chair is absent from a meeting, the Committee must nominate a member to Chair that meeting.

Attendance:

Internal and external auditors and members of management may, by invitation, attend meetings.

Non-attendance:

Non-attendance at meetings must be advised to and agreed with the Chair prior to the meeting or as soon as practical following the meeting where circumstances did not allow prior notice.

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The Chair of the FARM Committee will review the ongoing membership on the Committee of any Committee member who is absent from three meetings without prior formal leave of absence granted by the Chair.

Conflicts of Interest:

The Chair of FARM will remind members at the beginning of each meeting of their obligation to declare any conflicts of interest in relation to matters being dealt with by the Committee. Also refer to the RACGP Conflict of Interest Policy CO-O-022.1.

Minutes:

- The Secretariat is responsible for keeping the Minutes of all Committee meetings
- Draft minutes should be prepared and sent to the Chair within five working days of the meeting
- The Secretariat is responsible for circulating the Minutes to Committee members and Council.

9. Review

The Council will, at least once in each year, review the membership and the Terms of Reference of FARM to determine its adequacy for current circumstances and the FARM Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.