



Finance, Audit and Risk Management Committee Terms of Reference

1. Purpose

The FARM Committee reports directly to Council to assist it in discharging its duties in relation to finance, audit and risk management. The Terms of Reference set out the specific responsibilities of the FARM Committee and describes the manner in which it will operate. In performing its duties, the FARM Committee will maintain effective working relationships with Council, management and the internal and external auditors.

2. Terms of reference

- The FARM Committee objectives are to provide strategic advice and recommendation to Council with regard to finance, audit and risk management functions of the College:
- Assist the Council in discharging its duty with regard to the financial affairs of the College.
- Oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information.
- Oversee the effectiveness and efficiency of the College's audit functions and the management of its risks.
- Assist the Council in complying with its legal and other obligations.
- Investigate any activity within its terms of reference.
- Discharge its responsibilities by making appropriate recommendations (in an advisory capacity) to Council. The FARM Committee does not have the powers to commit Council or the College to the implementation of their recommendations.

To perform his or her role effectively, each committee member will need to develop and maintain his or her skills and knowledge, including understanding of the FARM Committee's responsibilities and the College's operations and risk.

The FARM Committee duties and responsibilities include

2.1 In relation to Finance and Compliance with Laws and Regulations:

- 2.1.1 Review the annual business plan, draft budget, investment strategy and financial forecast and to make recommendations about their acceptance to Council
- 2.1.2 Review the selection of financial and investment performance indicators and make recommendations about their acceptance to Council
- 2.1.3 Monitor the performance of the College in the governance report, financial forecasts, investment portfolio and against the selected indicators in the annual business plan, to provide guidance to management and to recommend any necessary action to Council.

Meet with management and the external auditors to review the audited annual financial statements, the key accounting policies and judgments, the results of the year-end audit and to make recommendations to Council.

Review all accounting policies and to satisfy itself that they are in accordance with both Australian Accounting Standards and New Zealand Accounting Standards, and to recommend any changes that might be required to these policies.

- 2.1.4 Review any other financial policies that may have a material impact on the College's financial position (e.g. Treasury Policy, Investment Policy and Investment strategy for long term funds).
- 2.1.5 Monitor whether adequate systems of internal control are in operation so as to produce accurate and meaningful management information and ensure the integrity of the financial statements of the College.
- 2.1.6 Review the delegations manual on an annual basis and make recommendations about its acceptance to Council.
- 2.1.7 Review the effectiveness of the system for monitoring compliance with all laws and regulations and the results of management's investigation and follow-up of any matters of non-compliance
- 2.1.8 Obtain regular updates from management regarding compliance matters that may have a material impact on the College's financial statements or compliance policies.

2.2 In relation to Audit:

- 2.2.1 Review the audit plans of the College's auditors (external and internal), including the extent of coordination between them, to satisfy itself that these are adequate and appropriate.
- 2.2.2 Review the results of external and internal audits and to satisfy itself that management's response to audit recommendations is adequate.
- 2.2.3 Evaluate the effectiveness of the auditors and to recommend any changes that may be required in the external or internal audit arrangements, including the appointment of auditors and the level of fees.
- 2.2.4 Ensure that no restrictions are placed on the effectiveness and independence of the auditors.
- 2.2.5 Monitor the progress of management actions against the external audit management letter and internal audit recommendations.
- 2.2.6 Meet with the internal and external auditors as required to encourage open and frank discussions on any matters that the FARM Committee members believe should be discussed. Ensure the internal and external auditors have had full, free and unrestricted access to all activities, records, property and personnel.
- 2.2.7 Ensure that the internal and external auditors have direct access to the Chairperson of FARM Committee.
- 2.2.8 Resolve any disagreements between the auditors and management.

2.3 In relation to Risk:

- 2.3.1 Review the risk profile of the College on a quarterly basis, including compliance risks and advise Council which risks are material. Make recommendations to Council about the risk management plan.
- 2.3.2 Review the College's system of internal controls, including all computerised systems, and identify any weaknesses that require attention on an annual basis.
- 2.3.3 Consider and approve appropriate means of mitigating and management of the material risks including risk management policies.

- 2.3.4 Monitor the implementation of the risk management policies and to provide guidance to management.
- 2.3.5 Review any corporate policies that relate to risk or compliance with legislation, regulations or Australian and New Zealand Accounting standards and make recommendations to Council about their acceptance.
- 2.3.6 On an annual basis review insurance coverage and provide guidance to management.

2.4 The FARM Committee will have the following delegated powers:

- 2.4.1 Access to such documents as it requires to fulfil its responsibilities. External and internal auditors and executives of the College will attend FARM Committee meetings as requested by the chair of the FARM Committee.
- 2.4.2 Obtain such independent professional advice as is necessary for it to discharge its duties.
- 2.4.3 Consider the professional development needs of its members. In instances where professional development is required, the Chair will seek approval from the CEO..
- 2.4.4 Appoint the College's investment adviser on an annual basis to manage the College's investments. Reappointment will be subject to satisfactory performance during the previous year.

2.5 The following requires approval of Council:

- 2.5.1 Appointment of FARM Committee members.
- 2.5.2 Removal of investment adviser out of cycle

2.6 The important groups/persons for coordination/communication for the FARM Committee are:

- 2.6.1 Council
- 2.6.2 CEO
- 2.6.3 Director, Corporate Services
- 2.6.4 External and internal auditors
- 2.6.5 Investment managers

3. Membership

3.1 The membership of the FARM Committee is defined in ANZCA regulation 2.

3.2 Appointment of members will be made in each odd numbered year, for a two year period.

3.3 This may include members who are not Fellows of the College. Appointment of members will take into account the following factors:

- 3.3.1 Council representation
- 3.3.2 Finance expertise (at least 2 members will have a high level of financial competence)
- 3.3.3 Governance expertise
- 3.3.4 Legal expertise.

3.4 All members are expected to possess the following competencies:

- 3.4.1 questioning mind and willingness to ask probing questions and to give direct opinions;
- 3.4.2 high sense of probity;
- 3.4.3 independence from the College management;

- 3.4.4 not be employees of the College;
- 3.4.5 financially literate (ability to read and understand basic financial statements including a balance sheet, a profit and loss statement and a cash flow statement, ask pertinent questions about them and interpret and evaluate the answers), or be trained in it; and
- 3.4.6 respect for confidentiality of those matters that are in confidence.

3.5 Invited Councillors

Councillors may attend up to 1 meeting per year as observers in order to become familiar with its functions. Councillors are invited to attend either in person (if already in Melbourne) or via teleconference and will receive documentation for the meeting.

4. Meetings

- 4.1 The FARM Committee will meet at least four times per year face-to-face and by teleconference as required or requested by the Chairperson.
- 4.2 A quorum for a meeting will be a majority of the voting members, noting that in committees with an even number of voting members, this is half plus one. If at any time the number of members is fewer than a quorum, the FARM Committee may meet only for discussion purposes.
- 4.3 Questions arising at a meeting of the FARM Committee (either in person, by teleconference or webinar) are decided by a majority of votes of voting members present and voting, with abstentions not being counted in the total number of votes. The Chairperson has a casting vote in addition to a deliberative vote where there is an equality of votes.
- 4.4 In the absence of the Chairperson, members of the FARM Committee will choose a Chairperson to chair that particular meeting.
- 4.5 There is no provision for a member to vote by proxy.
- 4.6 An agenda with relevant papers will be prepared and circulated to all attendees of the FARM Committee, one week prior to each meeting to allow sufficient time to read and consider their contents.
- 4.7 The FARM Committee shall ensure that Council receives minutes of the meetings, is kept regularly informed on general progress and activities, and is briefed promptly on all significant matters.
- 4.8 For an electronic vote, questions are decided in the affirmative if at least 75% of all voting members (other than any member on a leave of absence or any member abstaining in writing) vote in favour.
- 4.9 All matters discussed at FARM Committee meetings together with all material provided to attendees is confidential.

5. Self-Evaluation

- 5.1 On an annual basis the FARM Committee will undertake a formal evaluation and assess the performance and achievements of the FARM Committee for the previous period and ensure that it is meeting its objective efficiently and effectively and is in a position to continue to do so.
- 5.2 Provide an annual report to Council outlining the activities and actions taken by the FARM Committee over the preceding 12 months.
- 5.3 The Finance Audit and Risk Management Committee will review the Terms of Reference at least once every three years

6. Reporting

- 6.1 Meetings will be minuted with minutes forwarded to Council. Decisions made electronically will be recorded in the minutes of the next committee meeting.

7. Administrative Support

7.1 Administrative support for the FARM Committee will be from the Corporate office.

8. Financial reporting and planning

8.1 Each ANZCA committee and sub-committee will have 'financial report' as a standing agenda item and will receive regular financial reports from the relevant staff member.

8.2 The roles of the committee include to:

8.3 develop an annual activity plan and report

8.4 support ANZCA management in decision making, in order to ensure the best possible financial outcome.

9. The roles of the committee do not include the day-to-day financial management of the College (which is the role of ANZCA management).

Version control

| Version | Author | Reviewed by | Approved by | Changes |
|-------------|---------------------|------------------------------------|----------------------|--|
| 1 | K Leslie, L Roberts | FARM Committee | Council | Creation |
| 2 | G Linton | FARM Committee, L Sorrell, J McKay | Council Oct 2012 | Revision |
| 3 | L Sorrell | FARM Committee | FARM March 2013 | Membership amended to reflect the departure of the EGM Corporate Resources |
| 4 | M Mulligan | FARM Committee | Council August 2013 | Membership to include Councillors as observers |
| 5 | M Mulligan | FARM Committee | | Review of insurance coverage on an annual basis included under FARM duties in relation to risk. |
| 6 | G Fidler | FARM Committee and Executive | Council – April 2014 | Annual review to ensure the FARM Committee responsibilities are comprehensively outlined and are in accordance with the best corporate practice. Amended definition of quorum and financial reporting. |
| 6 (amended) | L Roberts | Executive Committee | Council April 2015 | Amendment to “membership” |
| 7 | J Illott | FARM Committee | Council July 2016 | Investment Committee to become a subcommittee of FARM rather than a committee of Council. |
| 8 | J Illott | FARM Committee | Council | Change to title GM, Finance to Director, Finance and Services. |
| 9 | N Fidgeon | FARM Committee | Council April 2020 | Updated to reflect consolidation of FARM and Investment sub-committee |

Next review: February 2022