

Finance, Audit and Risk Management Committee

Charter

QUORUM: A majority of members, including at least one Board member.

FREQUENCY: Minimum 6 times per year

Purpose

This Charter provides a summary of the role and operations of the Finance, Audit and Risk management (FARM) Committee. It should be read in conjunction with the Statement of Purposes and Rules of Skin Health Institute (SHI) Incorporated.

Role of the Committee

The Committee is responsible for providing advice to the SHI Board. The Committee's scope is established pursuant to relevant legislation (and common law duties) and generally involves, but is not limited to:

- Advising the Board on the financial affairs of SHI
- Advising the Board on the investment policy, process and performance of funds
- Considering any strategic directions in the area of finance and investment and identify their financial, physical and human resource implications
- Assisting the Board in the effective discharge of its governance, risk management, compliance and control responsibilities
- Assisting the Board to exercise its responsibilities in relation to all activities of the Institute regarding:
 - reporting of business information
 - application of accounting policies
 - financial management systems (including financial systems) and processes
 - internal controls
 - management and protection of assets
 - compliance with applicable laws, regulations, standards and best practice guidelines where these are relevant to the activities undertaken by the SHI.
- Reviewing plans and activities of the external audit providers, receiving reports and management letters, and ensuring SHI management promptly actions audit recommendations for strengthening controls or improving business practices. Ensuring the

auditor can carry out their role with independence, and that they receive all the explanations they require from SHI management and staff.

- Identifying SHI management responsibilities regarding privacy, insurance, liquidity, occupational health and safety, employment and industrial relations, equal opportunity and discrimination, financial policies and reporting and risk management. Inquire as to whether the actions taken by SHI management fully comply with current legislation in these areas. Report any breaches to the Board.

Responsibilities

- Monitor and report on the financial performance of SHI in terms of:
 - operating effectiveness and budget
 - investment policy and performance
 - borrowings policy and performance.
- Review and consider the SHI budget and associated financial reporting systems.
- Receive and recommend to the Board the annual operating budget.
- Review and recommend to the Board any change to fees charged.
- Accounting and Financial Reporting
 - Review the audited annual financial statements and reports prepared by SHI management, service providers and any relevant third party, and the External Auditors as the basis for recommending their approval by the Board.
 - Review related party transactions and contingent liabilities and consider whether disclosure of these financial transactions in the financial statements is appropriate.
 - Review with SHI management and the external auditors significant accounting and reporting issues, including review any new or significant changes to existing accounting policies.
 - Monitor the effectiveness of management information reports and the actions SHI management takes in response to these reports to ensure there is an effective control framework being operated by SHI management.
 - Advise the Board of any breakdowns in internal control by SHI management of which the Committee becomes aware.
- External Audit
 - Approve the scope of the external audit plan and ensure its implementation.
 - Receive and review the external audit reports and responses with Management and ensure that issues are being managed and rectified in an appropriate and timely manner by SHI management.
 - Review the quality and effectiveness of the external auditor's performance.
 - Meet formally with the external auditor for discussion of draft report prior to finalization.

- Monitor and review management's response and progress to matters raised by the external auditors.
- Review the integrity and effectiveness of SHI's financial reporting systems and controls with the external auditors.
- Annual Report
 - Receive and recommend to the Board for approval:
 - annual accounts
 - financial aspects of the Annual Report.
- Risk Management
 - Ensure that SHI management has effective processes in place to identify current and emerging risks.
 - Ensure SHI management has developed and implemented compliance and risk management policies appropriate to SHI's activities.
 - Review the risk assessment and risk management plan.
 - Review the internal control systems and matters arising, including processes for the prevention, detection and investigation of fraud and irregularities.
 - Approve the level of insurance cover.
- Legal and Regulatory Compliance
 - Ensure SHI management has established a framework for continuous monitoring of processes for compliance with laws, regulations, standards and best practice guidelines as they apply to SHI performance.
 - Advise and make recommendations to the Board on matters pertaining to risk and compliance which may be referred to the Committee by the Board.
 - Report to the Board any matters which the Committee considers should be brought to the attention of the Board.
 - The CEO is responsible for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters and for bringing these fully and promptly to the attention of the Committee.

Delegations

The Board delegates the following decisions and approvals to the Committee:

- Approve the writing off of bad or doubtful debts, for individual debts below \$5k; doubtful or bad debts above \$5k require Board approval
- Approve the financial aspects of leases where the expenditure involved is greater than \$5,000 (GST inclusive) per year
- Approve any expenditure in excess of the CEO's delegation up to \$20,000 which is not budgeted nor already approved
- Approve the scope of the external audit plan
- Approve the scope of the risk management plan
- Recommend the level of insurance cover to the Board.

In addition, the Chair of the Committee has delegated authority to approve, in conjunction with the Chair, urgent matters at his / her discretion between meetings of the Committee. Such action is reported to the next meeting of the Committee.

Membership

- At least four members, one of whom must be a Board member.
- The Committee Chair must be a Board member.
- Restrictions on membership – none.
- Quorum is a majority of members, including at least one Board member.
- At least one member to have recognised accounting and financial expertise and one with audit/risk management experience. At least two members to possess financial literacy skills and have business experience.

The Board has the power to co-opt members to the committee as needed, including external to the SHI.

Meeting Schedule

The Committee shall at least 6 times per year and can meet as often as required based on workload and need.

The external accountant and external auditor are invited to attend the three scheduled Committee meetings as specified above and must attend the meeting at which the draft financial statements are being considered by the Committee. Both external parties shall also have direct access to the Committee Chair at any time where a matter arises where such communication is considered necessary.