

Audit and Risk Committee charter

1. Constitution

The Audit and Risk Committee shall be a committee of the Board, established by the Board. The Committee is responsible to and will report to the Board.

2. Objectives

The objectives of the Committee are to assist the Board in discharging its responsibilities to exercise due care, diligence and skill in relation to oversight of:

1. Financial functions
2. Internal and external audit functions, and
3. Risk management.

3. Membership

The Audit and Risk Committee shall comprise members of the Board appointed by the Board.

The number of members of the Committee shall be not less than three Directors. At least one Director shall have a financial or accounting background.

The Board shall appoint a Committee Chair from the Directors appointed to the Committee. The appointee shall not be the Board Chairperson.

4. Meetings of the Committee

A quorum of members of the Committee shall be not less than two.

The secretary to the Board will act as secretary to the Audit and Risk Committee. Minutes of all meetings shall be kept.

The Chief Executive Officer, Chief Finance & Risk Officer, the Appointed Actuary and representatives of the external and internal auditors will attend Committee meetings at the invitation of the Chair. General Counsel and other members of the management group may be required to attend from time to time at the Chair's request.

Reasonable notice of meetings and the business to be conducted shall be given to the members of the Committee, the Chief Executive Officer, Chief Finance & Risk Officer, Appointed Actuary, and the external and internal auditors.

Meetings shall be held not less than four times a year:

- At the planning stage of the external and internal audit;

- Before the Directors meet to approve the annual financial statements;
- To undertake an annual review of the Committee's objectives, responsibilities and Charter; and
- To review the quarterly reports of the internal auditors.

At each meeting the Committee will meet in committee with the Appointed Actuary, external and/or internal auditors as appropriate.

Any member of the Committee, the Chief Executive Officer, the Chief Finance & Risk Officer, the Appointed Actuary, the external auditors and the internal auditors may request a meeting at any time if they consider it necessary.

5. Responsibilities

The responsibilities of the Committee are as follows:

Financial Functions

- Review the financial statements with management, the Appointed Actuary and the external auditors to determine that the Committee is satisfied with the disclosure and content of the financial statements to be published in the Annual Report;
- Ensure the Board makes informed decisions regarding accounting policies, practices, and disclosures;
- Assess the performance of financial management;
- Oversee compliance with statutory responsibilities relating to financial and other disclosures including RBNZ solvency and statutory reporting requirements;
- Obtain from the Chief Executive Officer and the Chief Finance & Risk Officer a formal statement that the annual financial statements present a true and fair view in all material respects and are in accordance with applicable accounting standards;
- Review the frequency and significance of all material transactions between the Society and other entities in the Southern Cross Healthcare Group and other related parties, and assess their propriety;
- Consider and recommend to the Board the selection and appointment of the Appointed Actuary, and
- Review any other matters referred to it by the Board.

Audit Functions

- Consider and recommend to the Board the selection and appointment of external and internal auditors;
- Liaise with external and internal auditors;
- Review the annual audit plan with the external auditors;
- Review the annual internal audit plan with the internal auditors;

- Ensure adequate internal controls are in place;
- Review the audit findings and annual financial statements prior to their presentation to the Board;
- Review and approve the audit representation letter;
- Review the audit management letter and report the findings to the Board;
- Review internal audit findings;
- Periodically review and approve the Group External Audit Independence Policy;
- Monitor external auditor independence.

Risk Management

The overall responsibility for risk management is with the Board. The following matters are delegated by the Board to the Audit and Risk Committee to provide objective assurance as to the adequacy and effectiveness of the Society's risk management policies and framework:

- Periodically review, and make recommendations to the Board regarding, the organisation's current and future risk appetite;
- Periodically review and make recommendations to the Board in relation to risk management policies and the risk management framework;
- Monitor the effectiveness of the risk management framework and associated policies and procedures in identifying, prioritising, treating, monitoring and reporting on key business risks;
- Ensure that internal controls consistent with the risk appetite established by the Board are in place, including insurance covers and compliance with relevant policies, legal and regulatory requirements;
- Periodically review and make recommendations to the Board in relation to the Group Health and Safety Policy, Group Legal Services Policy, Group Compliance Policy, and any other policies referred to it by the Board from time to time; Ensure that the Board receives reports from management:
 - that the risk management framework is in place and operating effectively (at least annually), and
 - on the highest priority business risks (quarterly);
- Receive the Annual Legal Report from General Counsel.

6. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information it requires from any employees. All employees will be directed to cooperate with any request made by the Committee.

The Committee will make recommendations to the Board on all matters requiring a decision. The Committee does not have the power or authority to make a decision in the Board's name or on its behalf.

The Committee will have a clear understanding with the external and internal auditors, and the Appointed Actuary, that they are accountable to the Board which has the ultimate authority to engage, evaluate and, if appropriate, to terminate their services.

7. Reporting procedures

The Committee shall maintain direct lines of communication with the Appointed Actuary, the external and internal auditors, the Chief Executive Officer, the Chief Finance & Risk Officer and with management.

The Chief Executive Officer and Chief Finance & Risk Officer shall be responsible for drawing to the Committee's immediate attention any material matter that relates to the financial condition of the Society and its subsidiaries, any material breakdown on internal controls, any material event of fraud or malpractice, and incidents or issues that materially and adversely affect high or extreme risks (as set out in the risk management framework).

The minutes of all Committee meetings shall be circulated to members of the Board, the Chief Executive Officer, the Chief Finance & Risk Officer, the Appointed Actuary and the external and internal auditors.

On request, Committee members shall be provided with copies of all correspondence between management and the internal auditor, the external auditor and the Appointed Actuary; and with copies of all reports to management and/or the Committee Chair from the internal auditor, external auditor and Appointed Actuary.

8. Review

The Committee will periodically undertake a self-review of its objectives and responsibilities and the extent to which they have been achieved and/or discharged. Such objectives and responsibilities and their attainment will also be reviewed periodically by the Board and any other person the Board considers appropriate.