

# CHARTER FOR THE AUDIT AND RISK ASSURANCE COMMITTEE - PROCARE HEALTH LIMITED

---

Prepared By: Harley Aish/June McCabe  
Updated: March 2017

## 1. PURPOSE OF THE CHARTER

The Board of ProCare Health Limited has established a Committee of directors known as the Audit and Risk Assurance Committee. The objectives, composition, duties and responsibilities of the Committee are set out in this Charter, and are pursuant to the authority contained in the Constitution.

## 2. DEFINITIONS

- **ProCare** refers to ProCare Health Limited, also referred to as ‘the Company’ and ‘PHL’ and any associated companies or subsidiary businesses
- **The Board** is the Board of Directors of ProCare
- **ARAC** is the Audit and Risk Assurance Committee, also referred to as ‘the Committee’
- An **Appointed Director** is defined in the Company’s constitution.

## 3. OBJECTIVES OF THE COMMITTEE

- a. The role of ARAC is to assist the board in fulfilling its responsibilities relating to accounting and reporting, external audit, legislative and regulatory compliance and general risk management for ProCare.

- b. Specifically, the Committee's role is to review:
- processes for identifying and managing financial risk; and
  - financial reporting processes, systems of internal control, and the internal and external audit processes.

#### **4. COMPOSITION**

- a) Members of the Committee will be appointed by the Board and will comprise a minimum of three directors, a majority of whom will be Appointed Directors;
- b) The Board will appoint the Chairman of ARAC. The Chairman of ARAC will not be the Chairman of the Board;
- c) Members of the Committee will be financially literate and at least one member will have
- i. past employment in finance or accounting and/or
  - ii. be a member of the Institute Chartered Accountants of New Zealand and/or
  - iii. held a CFO position for greater than 24 months or other comparable experience;
- d) As appropriate (determined by the Chairman of ARAC), the Chairman of Procure Networks Limited (PNL) will be invited to attend ARAC meetings;
- e) Any Director of PHL is entitled to attend any meeting of the ARAC.

#### **5. DUTIES AND RESPONSIBILITIES**

ARAC will maintain a clear boundary between management's responsibilities for risk management and the ARAC's responsibilities for oversight, assurance and audit.

ARAC will carry out its purpose by overseeing, reviewing and providing advice to the board on the Company's financial information, policies and procedures in regard to financial matters, external audit functions and internal control and risk management policies and processes.

ARAC is responsible for:

### **Audit**

- a) Providing a forum for communication between the auditors and the Board;
- b) Recommending to the Board the engagement, reappointment or replacement of the auditors;
- c) Confirming the independence and competence of the auditors, including a review of the audit fees (subject to shareholders' approval at the Annual Meeting), and any other fees for services provided by the auditors;
- d) Meeting with the auditors periodically without management present, including a session at the time the Annual Financial Statements are being considered;
- e) Reviewing and approving the scope, objectives, and materiality of the audit plan;
- f) Consulting with the auditors on any significant risks, exposures, proposed regulatory, accounting or reporting issues and assessing the potential impact of such on the Company's financial reporting processes. Considering the steps management have taken to manage these matters;
- g) Considering and reviewing with the auditors the adequacy of the company's internal controls, including computerised system controls, security, conflicts of interest, and the prevention and identification of fraud;
- h) Reviewing the content of the external auditor's report to management and associated responses made by management to the issues raised;
- i) Evaluating the overall effectiveness of the external audit through regular meetings with the auditors;

- j) Determining that no management restrictions are being placed upon the auditors;
- k) Ensuring that information to be supplied to the Committee by the external auditors is supplied independently of the senior management of the Company.
- l) Reviewing the external auditor's fees in relation to the quality and scope of the audit, with a view to ensuring that an effective, comprehensive and complete audit can be conducted for the fee.
- m) Agreeing, at the start of each audit, the terms of engagement with the external auditor.
- n) The Committee shall have unlimited access to the Company's external auditors and to senior management of the Company.

#### **Financial Statements and Accounting Policies**

- a) Reviewing and approving all significant accounting policy changes;
- b) Reviewing the Company's annual financial statements and recommending acceptance and approval by the Board;
- c) Considering the following matters when conducting the review of the financial statements:
  - d) the underlying quality of the financial reporting as set out in the financial statements and the notes thereto
  - e) changes in accounting policy and practice
  - f) any significant accounting estimates, accruals, and judgements included in the financial statements
  - g) accounting implication of new and significant transactions
  - h) the appropriate treatment and classification of costs as between capital and revenue
  - i) management practices and any significant disagreements between management and the external auditors
  - j) the propriety of related party transactions
  - k) compliance with applicable New Zealand and International accounting standards, and legislative requirements relating to financial reporting and corporations law

- l) certification by the Chief Executive Officer and the Chief Financial Officer to the Board that the Company's financial reports represent a true and fair view in all material respects of the Company's financial position and operational results and are in accordance with relevant accounting standards.
- m) The procedures for sign-off by the Board of financial statements and the issue of representation letters to external auditors will include written confirmation from the Chief Executive Officer and the Chief Financial Officer that the financial statements meet financial reporting requirements (including presenting a true and fair view of the Company's financial position and operational results) and that all matters have been disclosed.

#### **Risk Management**

- a) Reviewing with management and seeking assurance on the operation of a framework for the management of risk which integrates risk management into the Company's structures, policies, processes and procedures;
- b) Reviewing with management and seeking assurance that the key risks to the Company have been identified and that plans are in place to manage and mitigate these risks;
- c) Reviewing and monitoring the Company's insurance programme, in conjunction with management and recommend changes where appropriate;
- d) Reviewing with management and seeking assurance that there is an adequate level of compliance with policies, standards, procedures and applicable laws and regulations;
- e) Reviewing with the auditors, the Company's management policies and procedures with respect to material business risks, including financial and accounting controls.

### **Other matters**

- a) Reviewing with management expenditure authorities and delegated authorities;
- b) Reviewing with management and seek assurance on the appropriateness of any/all treasury polices and operations;
- c) Reviewing with management any activity on fraud detection and reporting;
- d) Reviewing with management the company's tax position and areas of tax risk;
- e) Ensuring the Company's internal control environment is adequate;
- f) Evaluating the adequacy and effectiveness of the Company's administrative, operating and accounting policies through active communication with senior management, the external auditors and monitoring management's responses and actions to correct any noted deficiencies;
- g) Reviewing the Company's potential exposure to fraud.
- h) Members of the senior management team of the Company have an express right of direct access to the Chair of the Committee in relation to any matters of material concern.
- i) The Committee will report on its work in discharging its duties in the Annual Report, including significant issues that the Committee considered in relation to the financial statements and how these were addressed; and an explanation of how the Committee assessed the effectiveness of the external audit process.

### **Internal Audit**

- a. Making recommendations to the Board on the structure of any internal audit function and whether that function should be undertaken internally by management (for instance under the direction of the Chief Financial Officer), or outsourced to an appropriate external party, such as a Chartered Accounting firm (Outsourced Internal Auditor)
- b. Making recommendations to the Board on the appointment, and where necessary the removal, of any internal auditor.

## 6. AUTHORITY

The Committee is not a decision-making body. The Board authorises the Committee, within the scope of its responsibilities, to:

- a. Seek any relevant information and advice from PHL and its employees, subsidiary companies and/or PHL providers necessary to fulfil its responsibilities under this Charter;
- b. Meet with the external auditor without management being present, at its discretion;
- c. Take such independent professional advice as it considers necessary to assist the Committee with discharging its responsibilities at the Company's expense; and
- d. Require the attendance of the Company officers at meetings as appropriate;
- e. ARAC will adhere to all PHL policies and procedures.

## 7. PROCEDURE

- a. ARAC will hold at least two scheduled meetings in a financial year plus such additional meetings as the ARAC shall decide are required in order to carry out its responsibilities;
- b. A quorum of any two directors appointed to ARAC is required either in person or via teleconference. No business may be transacted at a meeting of the members if a quorum is not present;
- c. Wherever possible, decisions of the ARAC will be made on a consensus basis;
- d. The Chief Financial Officer will act as the secretary of the Committee and is responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory papers / reports to Committee members, at least five working days prior to each meeting;
- e. In the absence of the nominated Chair, any member may Chair a meeting of the Committee;

- f. The Chief Executive Officer and Chief Financial Officer will attend each meeting of the Committee in an ex officio capacity;
- g. Adequate minutes of the meeting will be taken by the Chief Financial Officer (or other nominated individual) and circulated to ARAC within one week of the meeting for review and confirmation of accuracy;
- h. ARAC will ensure that minutes of its meetings are kept and provided to the board in a timely manner. The Chairman of each meeting of the Committee will report back to the Board on key points of discussion, decisions taken, and recommendations of the Committee, to the next scheduled meeting of the Board;
- i. The Chairman will call a meeting of the Committee if requested to do so by any Committee member, by the Chief Executive Officer, the Chief Financial Officer, or the Company's external auditors;

## **8. REMUNERATION**

Members of the Committee will be paid as determined by the ProCare Governance Policy.

## **9. COMPLIANCE MONITORING AND REVIEW**

- a. The Board, at its sole discretion, may from time to time review the activities and effectiveness of ARAC and may, as a result of this review, amend, alter, or rescind any part or whole of the ARAC Charter;
- b. ARAC will review this Charter every two years and, if required, make recommendations on any changes to the Board;
- c. The Committee will self-assess the performance of the Committee on an annual basis.



<b>Title:</b> Audit and Risk Assurance Committee Charter	Date Updated: March 2017	Date Approved: April 2017
Approved by ProCare Health Limited Board	Review Date: April 2019	