

# Audit and Risk Assurance Committee Charter

[Advisory to ProCare Network Limited and ProCare Health (PHO)  
Limited Boards]

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## 1. Purpose of this Charter

- 1.1 The Boards of ProCare Network Limited and ProCare Health (PHO) Limited have established a single Committee of Directors known as the Audit and Risk Assurance Committee to provide services to each Company. 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 of both Companies.

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## 2. Definitions

- 2.1 **ProCare** refers to ProCare Network Limited (“Co-op”) and ProCare Health (PHO) Limited (“PHO”), also referred to as “the organisation” and any associated companies or subsidiary businesses.
- 2.2 **The Boards** are the Board of Directors of ProCare Network Limited and ProCare Health (PHO) Limited respectively.
- 2.1 **ARAC** is the Audit and Risk Assurance Committee, also referred to as “the Committee”.
- 2.2 An **Appointed Director** is defined in the ProCare Network Limited Constitution under the definitions section and in the ProCare Health (PHO) Limited under clause 6.2.
- 2.3 **CEO** refers to the Chief Executive Officer of ProCare.

- 2.4 **Management** refers to the Executive Leadership Team of ProCare who report directly to the CEO, also referred to as “Senior Management”.
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### 3. Objectives of the Committee

- 3.1 The role of ARAC is to assist each Board in fulfilling its responsibilities relating to accounting and reporting, external audit, legislative and regulatory compliance and general risk management for ProCare.
- 3.2 Specifically, the Committee’s role is to review:
- a. Processes for identifying and managing financial risk; and
  - b. Financial reporting processes, systems of internal control, and the internal and external audit processes.
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### 4. Membership

- 4.1 Members of the Committee will be appointed by the Boards, based on their expertise and will include:
- a. All Appointed Directors from the Co-op Board;
  - b. The Chair of the Co-op Board;
  - c. The Chair of the PHO Board; and
  - d. Any other Director the Boards deem appropriate to appoint, based on their expertise.
- 4.2 The respective Boards will appoint the Chair of ARAC. The Chair of the Committee will be a Director of the PHO Board or Co-op Board but will not be the Chair of either Board.
- 4.3 Members of the Committee will be financially literate and at least one member will have:
- a. Past employment in finance or accounting; and/or
  - b. Be a member of the Institute of Chartered Accountants of New Zealand; and/or
  - c. Held a Chief Financial Officer (“CFO”) position for greater than 24 months or other comparable experience.
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### 5. Duties and Responsibilities

- 5.1 ARAC will maintain a clear boundary between each Company’s Management’s responsibilities for risk management and the Committee’s responsibilities for oversight, assurance and audit.
- 5.2 ARAC will carry out its purpose by overseeing, reviewing and providing advice to each Board on their relevant Company’s financial information, policies and procedures in regard to financial matters, external audit functions and internal control and risk management policies and processes.
- 5.3 ARAC is responsible for the following for the Co-op and the PHO respectively:
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**A. *Audit***

- a. Providing a forum for communication between the auditors and the Boards;
- b. Recommending to the Boards 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;
  - i. Unless authorised by ARAC, auditors are not permitted to provide any other services beyond audit and tax compliance services;
- 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 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 Management;
- 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; and
- n. The Committee shall have unlimited access to ProCare's external auditors and Management.

**B. *Financial Statements and Accounting Policies***

- a. Reviewing and approving all significant accounting policy changes;
- b. Reviewing the company's (or jointly if group financials) annual financial statements and recommending acceptance and approval by the Boards;
- c. Considering the following matters when conducting the review of the financial statements:

- i. The underlying quality of the financial reporting as set out in the financial statements and the notes thereto; and
  - ii. Changes in accounting policy and practice;
  - iii. Any significant accounting estimates, accruals, and judgements included in the financial statements;
  - iv. Accounting implication of new and significant transactions;
  - v. The appropriate treatment and classification of costs between capital and revenue;
  - vi. Management practices and any significant disagreements between Management and the external auditors;
  - vii. The propriety of related party transactions;
  - viii. Compliance with applicable New Zealand and International accounting standards, and legislative requirements relating to financial reporting and corporations law;
  - ix. Certification by the CEO and Chief Financial Officer (“CFO”) to the Boards that 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;
- d. The procedures for sign-off by the Boards of financial statements and the issue of representation letters to external auditors will include written confirmation from the CEO and CFO that the financial statements meet financial reporting requirements (including presenting a true and fair view of the Company or group financial position and operational results) and that all matters have been disclosed;

**C. *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 recommending 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;

**D. *Other Matters***

- a. Reviewing with Management expenditure authorities and delegated authorities;

- b. Reviewing with Management and seeking assurance on the appropriateness of any/all treasury policies and operations;
- c. Reviewing with Management any activity on fraud detection and reporting; and ProCare's potential exposure to fraud;
- d. Reviewing with Management the Company's tax position and areas of tax risk;
- e. Ensuring each Company's internal control environment is adequate;
- f. Evaluating the adequacy and effectiveness of administrative, operating and accounting policies through active communication with Senior Management of each Company, the external auditors and monitoring management's responses and actions to correct any noted deficiencies;
- g. Ensuring members of Senior Management have an express right of direct access to the Chair of the Committee in relation to any matters of material concern;
- h. 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;
- i. From time to time the Committee will review specific other matters, as directed by each Board, including budget, alignment to strategy and any other matters deemed appropriate by the Boards and Management;

#### *E. Internal Audit*

- a. Making recommendations to the Boards 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 CEO), or outsourced to an appropriate external party, such as a Chartered Accounting firm (Outsourced Internal Auditor); and
- b. Making recommendations to the Boards on the appointment, and where necessary the removal, of any internal auditor.

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## **6. Authority**

- 6.1 ARAC is not a decision making body. The Committee does not have the power or authority to make a decision in the Boards' name or on their behalf. The Boards authorise the Committee, within the scope of its responsibilities, to:
- a. Seek any relevant information and advice from ProCare and its employees, subsidiary companies and/or 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 each Company's expense;
  - d. Require the attendance of ProCare Officers at meetings as appropriate; and
  - e. ARAC will adhere to all ProCare policies and procedures.
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## 7. Procedure

- 7.1 ARAC will hold at least two scheduled meetings in a financial year plus such additional meetings as the Committee shall decide are required in order to carry out its responsibilities.
- 7.2 A quorum of any three 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.
- 7.3 Wherever possible, decisions of the Committee will be made on a consensus basis.
- 7.4 The CFO will act as the secretary of the Committee and is responsible, in conjunction with the Chair of ARAC, for drawing up the agenda and circulating it, supported by explanatory papers / reports to the Committee, at least five working days prior to each meeting;
  - a. The agenda will be split into three sections relevant to each Company where applicable i.e. 1 - Co-op items, 2 - PHO items and 3 - Joint items.
- 7.5 Any Director of the Boards is entitled to attend any meeting of ARAC during their specific Board's allocated agenda time slot, and may attend the joint section of the meeting also.
- 7.6 Where there is a conflict of interest the Committee member must declare their interests and stand down from voting.
- 7.7 If the Chair is not present, the Committee members will appoint an Acting Chair for the meeting.
- 7.8 The CEO and CFO will attend each meeting of the Committee in an ex officio capacity.
- 7.9 Adequate minutes of the meeting will be taken by the CFO (or other nominated individual) and circulated to ARAC within one week of the meeting for review and confirmation of accuracy and the minutes must follow the following format:
  - a. Split into three sections i.e. 1 - Co-op items, 2 - PHO items and 3 -Joint items;
  - b. Clearly state which Board is authorised and required to approve each item endorsed by the Committee.
- 7.10 ARAC will ensure that minutes of its meetings are kept and provided to the Boards in a timely manner prior to each Board's next meeting;
  - a. The Chair of each meeting of the Committee will report back to the Boards separately on key points of discussion, decisions taken, and recommendations of the Committee, at the next scheduled meeting of the each Board.

7.11 The Chair of ARAC will call a meeting of the Committee if requested to do so by any Committee member, by the CEO, the CFO, or ProCare’s external auditors.

## 8. Remuneration

8.1 Members of the Committee will be paid as determined by the ProCare Governance Policy, and remuneration will be determined by the Boards and reviewed every two years.

## 9. Compliance Monitoring and Review

9.1 The CEO and the Chair of the Boards will meet jointly at least annually with the Chair of ARAC to ensure an effective working relationship between ProCare, the Boards and ARAC.

9.1 ARAC will self-assess the performance of the Committee on an annual basis and the Chair of ARAC will report the results of the assessment to the Boards via the Chairman of each Board jointly or separately, as agreed by the Chair of each Board (the Chair of each Board will report the results to their respective Board at their next meeting).

9.2 The Boards, at their joint discretion, may from time to time review the activities and effectiveness of the Committee and may, as a result of this review, amend, alter, or rescind any part or whole of the ARAC Charter.

9.3 This Charter shall be reviewed by ProCare Management in conjunction with ARAC every two years, and if required, make recommendations on any changes to the Boards.

<b>Title:</b> Audit and Risk Assurance Committee Charter	<b>Author:</b> Tony Wai, CFO & GM of Corporate Services
<b>Approved Respectively By:</b> ProCare Network Limited (Co-op) Board ProCare Health (PHO) Limited Board	<b>Date Approved:</b> 2 July 2019 2 August 2019
<b>Commencement Date:</b> 1 July 2019 <b>Date Previously Approved:</b> 5 September 2017 <b>Next Review Date:</b> 30 June 2021 - The Boards shall respectively review and approve this Committee Charter annually.	

