

# **GROUP AUDIT AND RISK MANAGEMENT COMMITTEE OF HBF HEALTH LIMITED AND SUBSIDIARIES**

## **TERMS OF REFERENCE**

In these Terms of Reference:

“Group” means HBF and each of its Subsidiaries

“HBF” means HBF Health Limited

“Subsidiary” means each of HBF’s subsidiaries, including the operating entities of HBF Financial Services Pty Ltd and HealthGuard Health Benefits Fund Limited.

“Committee” means the Group Audit and Risk Management Committee

### **1. Objectives**

1.1 The primary objective of the Committee is to assist the Group Boards in fulfilling their responsibilities relating to:

- financial reporting
- external audit
- audit and assurance (internal audit)
- risk management and internal control; and
- compliance

and the Committee will ensure that the specific requirements of HBF and each Subsidiary in relation to those responsibilities are met.

1.2 The Committee will also provide advice and recommendations on any matters of significance, which may be referred to it by the Group Boards from time to time.

1.3 The Committee will establish and maintain lines of communication between the Group Boards, the External Auditors, the Internal Auditors and the Appointed Actuaries.

### **2. Responsibilities**

The duties of the Committee are as follows:

2.1 Financial Reporting

2.1.1 to ensure that the Annual Financial Reports comply with legal requirements and widely adopted reporting principles appropriate for organisations of the Group’s type.

2.1.2 to ensure that the accounting policies adopted by the Group are appropriate.

## 2.2 External Audit

- 2.2.1 to make recommendations to the Group Boards on the appointment or removal of the External Auditor.
- 2.2.2 to approve the annual letter of engagement and fees for the External Auditor.
- 2.2.3 to approve the Annual Plan for the External Auditor, ensuring it is consistent with the reporting environment and the requirements of the Group and that it covers all material risks and financial reporting requirements of the Group Boards.
- 2.2.4 to review the External Auditor's Report in relation to the audit and other audit findings and ensure that all issues are being managed in an appropriate and timely manner.
- 2.2.5 to assess whether the External Auditor meets the generally accepted audit independence tests and particularly those required by regulators such as PHIAC and ASIC.
- 2.2.6 to review the performance of the External Auditor annually.
- 2.2.7 to monitor the other services provided by the External Auditor and to assess whether such services are compatible with auditor independence.
- 2.2.8 to review the annual declaration of independence by the External Auditor.

## 2.3 Audit and Assurance (Internal Audit)

- 2.3.1 to review and recommend to the Group Boards the most appropriate method of delivering Internal Audit services to the Group.
- 2.3.2 to review and approve the Annual Internal Audit Plan for the Group and ensure that it covers all material risks of HBF and each Subsidiary.
- 2.3.3 to review the detailed reports of the Internal Audit Function on activities, findings, outstanding issues and completion of the Annual Plan and ensure that all issues are being managed in an appropriate and timely manner.
- 2.3.4 to review the performance of the Internal Audit Function annually and ensure independence of the Internal Auditor.
- 2.3.5 to ratify the appointment or termination of the Internal Audit Services Manager, (if the function is in-sourced), or the firm providing the services, (if the function is out-sourced) and that firm's terms of engagement.
- 2.3.6 to approve the Internal Audit Function Charter.

## 2.4 Risk Management

- 2.4.1 to ensure Management and Group Boards have implemented and maintained an appropriate policy and process to identify, assess, manage and report on the risks that might prevent the Group from achieving its objectives and could have a material impact on the business.
- 2.4.2 To review the adequacy and effectiveness of the implementation of the risk management and internal control systems;
- 2.4.3 to ensure that significant weaknesses in internal controls that have been identified and reported to the Committee have been followed up on a timely basis.
- 2.4.4 to ensure that Management has in place appropriate processes to assess the potential for, and control the incidence of, fraud.
- 2.4.5 to review significant transactions that are not a normal part of the Group's business as requested by the Group Boards.
- 2.4.6 to identify and direct any special projects or investigations deemed necessary.

## 2.5 Compliance

- 2.5.1 to ensure that Management has implemented and maintained an appropriate process to identify, manage, monitor and report on compliance obligations.
- 2.5.2 to ensure that Management has rectified significant compliance breaches that have been reported to the Committee.
- 2.5.3 to ensure that Management has in place processes to rectify significant compliance breaches.
- 2.5.4 to monitor developments in compliance practices, trends and issues.
- 2.5.5 to comply with all statutory reporting requirements, obligations and duties required of Audit Committees by any regulators such as PHIAC and ASIC,
- 2.5.6 to establish and maintain policies and procedures for employees to submit confidentially information about accounting, internal control, compliance, audit and other matters about which the employee has concerns and have a process for ensuring employees are aware of these policies and for dealing with matters raised by employees under these policies
- 2.5.7 to be readily available to meet with regulatory authorities on request.

### **3. Powers**

- 3.1 The Committee has the authority to consider any matter relating to the financial affairs and risk management policies and practices of the Group, and to the Group's internal and external audit activity, as it considers desirable.
- 3.2 The Committee has the authority to seek any information it requires from any member of Management or employee of the Group or the External Auditor or the Appointed Actuary without reference to the other Group Board members or senior management and it has full access to books, records, facilities and personnel of the Group.
- 3.3 The Committee is authorised to take independent professional advice, as it considers necessary.
- 3.4 The Committee has the authority to raise matters directly with the Board as it considers necessary
- 3.5 The Committee has no executive powers in relation to its findings and recommendations, except as delegated by the Group Boards.

### **4. Membership**

- 4.1 All members of the Committee shall be non executive Board members of the Group Boards and a majority must be independent. The number of Committee members shall be at least 3. Composition of the Committee shall take into account the existence of various subsidiaries within the Group. Composition of the Committee shall be reviewed by the Board of HBF on an annual basis.
- 4.2 Each new Committee member will receive copies of the Terms of Reference, Internal Audit Charter, External Audit Engagement Letter, Committee Minutes of the previous year, prior year external audit management letter and closing report, a list of recurring issues, and a listing of executive management and their responsibilities.
- 4.3 A quorum shall be two (2) members of the Committee.
- 4.4 The Chairman of the Committee will be selected by the Board of HBF and will be independent but will not be the Chairmen of any of the Group Boards.
- 4.5 All Committee members are to be financially literate and at least 2 are to have practical business experience in financial reporting, application of accounting standards, and audit requirements.

### **5. Meetings**

- 5.1 Meetings shall be held approximately four times in each financial year, and as required.
- 5.2 The Chairman will call a meeting of the Committee if requested by: -
  - 5.2.1 a Group Board member;
  - 5.2.2 the Chief Executive Officer of HBF;
  - 5.2.3 the Internal Auditor;

- 5.2.4 the Company Secretary;
- 5.2.5 an Executive General Manager or the General Manager of a Subsidiary;
- 5.2.6 the External Auditor.
- 5.3 The designated Secretary of the Committee shall attend each meeting.
- 5.4 The Secretary in conjunction with the Chairman, shall prepare an agenda, which shall contain separate items for each entity of the Group where appropriate. The Agenda shall be circulated prior to each meeting to the members of the Committee.
- 5.5 The Chief Executive Officer of HBF, Company Secretary and Chairmen of the Group Boards will be circulated with the Notice of Meeting and any one of them may attend and speak at the meeting. Boards of Subsidiaries may nominate Board members or senior managers to attend any meetings of the Committee to address matters relating to the activities of the entity.
- 5.6 All Board members who are not members of the Committee shall have the right to attend meetings of the Committee.
- 5.7 The External Auditor, Internal Audit Services Manager and the Appointed Actuary shall be invited to attend each Committee Meeting.
- 5.8 The Committee shall, through its appropriate representative, report the findings and recommendations of the Committee to the Board of HBF and the Boards of any Subsidiary to which those findings and recommendations are relevant and the minutes of the Committee shall be presented to the first meeting of those Boards following any meeting of the Committee.
- 5.9 Minutes of the meeting will separately record discussions and resolutions in respect of each Subsidiary.
- 5.10 Copies of the minutes, or extracts from the minutes, may be circulated to invited attendees at Committee meetings at the discretion of the Chairman.
- 5.11 Minutes of the meetings of the Committee will be approved by the Committee at its next meeting.
- 5.12 The Committee will provide the Group Boards, through copies of minutes and other reports if required, details on the performance of its duties which are relevant to those Boards.

## **6. Performance review**

- 6.1 The Committee will assess its own performance on an annual basis.
- 6.2 The Committee shall review and reassess these Terms of Reference annually and obtain the approval of the Group Boards for any changes.