

Audit and Risk Management Committee Charter

Audit and Risk Management Committee Charter

February 2018

Introduction

This charter sets out the governance requirements for the Board Audit and Risk Management Committee including the roles and responsibilities, procedures, members' powers and reference to applicable legislation.

Role

The Audit and Risk Management Committee's ("the Committee") purpose is to assist the Board in fulfilling its responsibility relating to accounting and reporting, external audit, compliance, cash management and risk management.

The Committee will carry out its purpose by overseeing, reviewing and providing advice to the Board on:

- the integrity of external financial reporting;
- financial management;
- internal control systems;
- accounting policy and practice;
- the risk management framework and monitoring compliance with that framework;
- related party transactions;
- compliance with applicable laws, regulations and standards.
- the performance of external auditors.
- the external auditor's independence and qualifications and ensure that the external auditor's independence is maintained.
- act as a formal forum for free and open communication between the Board, the external auditors and management.
- Provide governance and oversight of Health and Safety, agree on objectives and monitor performance of the Health and Safety programme.

Composition

The Committee must have a minimum of three of which there are two Directors. The Committee has a quorum of two. All Committee members must be non-executives, and a majority of the Committee members must be independent Directors in accordance with the independence criteria set out in the Board Charter. All Committee members must also be financially literate.

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The Committee must have one member who is a financial expert. However, where the current financial expert ceases to be a member of the Committee, it is acknowledged that the Committee may not have a financial expert for a short period while a replacement is found.

A financial expert is someone who has the following attributes:

- An understanding of generally accepted accounting principles and financial statements;
- The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- Experience preparing, auditing, analysing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Foundation's financial statements, or experience actively supervising one or more persons engaged in such activities;
- An understanding of internal controls over financial reporting;
- An understanding of audit committee functions.

The Board shall appoint the Chairperson of the Committee who shall not be the Chairperson of the Board. The appointment and removal of Committee members shall be the responsibility of the Board.

Procedure

The Committee shall meet at least three times per year and on such other occasions as the Chairperson considers necessary. The Committee should meet the external auditors without management present at least annually and at other meetings if requested by either party.

The Chairperson of the Committee shall be entitled to invite persons to attend Committee meetings as deemed necessary.

The external auditors are encouraged to meet as appropriate with the Committee independent of management.

The agenda and Committee papers will be prepared and circulated to all Directors of the Foundation including the members of the Committee prior to Committee meetings.

The Chairperson will report back to the Board the recommendations of the Committee at the Board meeting immediately following the Committee meeting.

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Responsibilities

“External financial reporting” in this section means the annual financial statements, Management Discussion and Analysis, and the reports of the external auditor on the findings of their external audits/reviews.

The Committee does not take action or make decisions on behalf of the Board unless specifically mandated. The Board has delegated certain of its functions to the Committee which is responsible for:

1. **External Financial Reporting**

- reviewing with management and the external auditor (as appropriate) the financial statements and all other financial reports including:
 - Reviewing the presentation and content of financial statements.
 - Meeting with the auditor without management present as part of the review.
- considering, when conducting that review:
 - the integrity of the external financial reporting;
 - changes in accounting policy and practice;
 - any significant accounting estimates and judgements;
 - any significant variances from budget or projected results;
 - accounting implications of new and significant transactions;
 - management practices and any significant disagreements between management and the external auditors;
 - the propriety of related party transactions;
 - compliance with applicable New Zealand, accounting standards; and New Zealand legislative requirements applicable to the Foundation; and
 - the annual certification by the Chief Executive to the Board that:
 - the Foundation’s financial reports represent a true and fair view in all material respects of the Foundation’s financial condition and operational results and are in accordance with relevant accounting standards; and
 - the above statement has been made based on a sound system of risk management and internal control and compliance which implements the policies adopted by the Board.
- meeting with the external auditors to discuss the practices and issues surrounding the external financial reporting.
- reporting the results of the review to the Board and recommending, if appropriate, the Board adopt the external financial reporting.
- discussing in a general manner the content of the Annual Report, analysis and presentations given in respect of annual financial reporting

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2. **Financial Management**

- reviewing and approving any Director certificates required pursuant to Payments being sought from Charitable organisations
- executing any Director certificates required pursuant to such funding applications provided that two members carry out such execution.
- monitoring the cash and interest position and overall cash and investment management.

3. **Internal Controls**

- considering the adequacy of internal controls after consultation with the external auditors and management (who should report at least annually to the Committee).
- reporting should include:
 - an assessment of the effectiveness of the internal control structure and procedures for financial reporting, including:
 - details of all significant deficiencies in the design/operation of the internal controls which are designed to accurately record financial data;
 - details of any employee fraud which could affect internal controls; and
 - details of any significant changes in internal controls since the date of the Chief Executive's evaluation.
 - a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting;
- reviewing the certification by the Chief Executive to the Board that the Foundation's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

4. **Risk Management**

- reviewing the principal risks contained in the risk profile of the Foundation on an annual basis, including Health and Safety risk.
- ensuring that management has established a risk management framework which includes policies and procedures to effectively identify, treat and monitor principal business risks.
- at least annually assess with management the effectiveness of the implementation of the risk management system.
- monitoring compliance with the risk management framework.
- review insurance covers, including the Company's directors and officers insurance, as to the adequacy, pricing and insurer capability, then recommend the annual renewals of covers to the Board.

5. **External Audit Services**

- pre-approving all audit services (including all statutory and regulatory audits) provided by the external auditor.
- pre-approving all non-audit services provided by the external auditor in accordance with the External Audit Independence Policy.

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- pre-approving all audit services provided by firms other than the external auditor in accordance with the External Audit Independence Policy.
- Review and recommend to the Board the external auditor's fees, terms of engagement, external audit work plan and annual independence statement.
- annually assessing and confirming to the Board the independence of the external auditor after consideration of the External Audit Independence Policy criteria including assessing whether the independence of the external audit process has been maintained in light of the performance of any non-audit services.
- discussing the work performed and any concerns of the auditor regarding the financial accounts and the control environment.
- ensuring that the lead audit engagement and concurring audit partners are reviewed at least every two years.
- at least annually reviewing a report from the external auditor which describes:
 - issues from any inquiry or investigation by government or professional authorities within the preceding 5 years, into one or more independent audits carried out by the external auditor and any steps the external auditor has taken to deal with such issues;
 - all relationships between the external auditor and the Foundation;
 - "critical accounting policies" used by the Foundation;
 - alternative treatments of financial information within Generally Accepted Accounting Practice that have been discussed with management, the ramifications of these treatments and the treatment preferred by the external auditor;
 - material written communications between the external auditor and management;
 - the external auditor's policy on audit partner rotation, which should include confirmation that audit partners are subject to five yearly rotation.

6. **Disclosure**

- ensuring that the Committee Charter appears as part of the Foundation's overall Charter.

7. **Reporting**

- regularly reporting to the Board on key matters considered by the Committee and their resolution.
- considering other matters as directed by the Board from time-to-time.

8. **Complaints**

- ensuring the confidential and anonymous receipt, retention and treatment of complaints regarding accounting controls or auditing matters.
- investigating matters under its authority.

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9. *Compliance with Applicable Laws and Regulations*

- annually review the Foundation's compliance with applicable laws, regulations, and standards.

Members' Powers and Authority

The Committee and each member of the Committee shall have the authority of the Board to:

- retain, terminate and consult with outside or other independent external advisers (including legal) at the Foundation's expense;
- secure the attendance at meetings of outsiders with relevant experience;
- communicate with any company employee, via the Committee Chairperson (copying the CE), to seek any information they require in order for the Committee to carry out its role;
- have unrestricted access to and direct communication with external auditors;

The Committee may delegate any of its responsibilities to the Chairperson of the Committee from time to time on such conditions as the Committee considers appropriate.

The Foundation will pay the ordinary administrative costs of the Committee.

Committee members are not employees of the Foundation. Committee members (other than the financial expert) do not represent themselves to be experts in the fields of accounting or auditing. As such, it is not the responsibility of the Committee personally to conduct accounting or auditing reviews or procedures.

Committee members are entitled to rely on the Foundation executives, on matters within their responsibility and on external professionals on matters within their area of expertise and may assume the accuracy of information provided by such persons, so long as the Committee member is not aware of any reasonable grounds upon which such reliance or assumption may be inappropriate.

The Board may rely upon information provided by the Committee and its members in relation to matters within the Committee's responsibility under the terms of this Charter provided that it has evaluated the information and is not aware of any reasonable basis upon which to question its accuracy.

Management is responsible for the preparation, presentation and integrity of the financial statements. Management is responsible for implementing and maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations.

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The external auditors are responsible for planning and carrying out each audit and review, in accordance with applicable auditing and review standards. The external auditors are accountable to Trustees and the Executive Board through the Committee.

Accountability to the Board

The Board annually reviews both this Charter and the Committee's performance against this Charter.