
Audit and Risk Committee Terms of Reference

Purpose

The Audit & Risk Committee is appointed by Board:

1. to provide independent assurance on the appropriateness of a Board's accountability and control framework.
2. to enhance the quality and consistency of financial information provided to and issued by Board.
3. The Audit & Risk Committee should primarily consider significant strategic implications on the Board in undertaking its responsibilities.
4. The Audit & Risk Committee's role is to discharge its responsibilities to the Board as a whole and, as appropriate, Branches, by oversight of the following:
 - systems that ensure compliance with legal requirements and ACHSM policy relating to financial disclosure and regulatory requirements;
 - the adequacy of internal controls and risk management procedures,
 - the risk management plan for the ACHSM
 - the scope and performance of External Audit;
 - financial reporting to and by the Board; and
 - other matters delegated by Board from time to time.

Scope of Action

Internal Control

With respect to the internal control environment, the Committee shall:

1. evaluate whether management have maintained a sound environment for financial administration, including the appointment of a competent financial officer, an effective ACHSM finance committee and suitably experienced independent External Auditors
2. evaluate whether management is providing the appropriate control environment by communicating the importance of internal control, and management of risk, including fraud risk, and ensuring that all employees understand their roles and responsibilities. This includes the oversight of controls over the engagement and conduct of external parties including contractors, advisers and outsourcing arrangements.

3. confirm that internal control recommendations made by the External Auditor have been implemented by management.
4. evaluate whether management have implemented appropriate systems to manage the risk of fraud, misappropriation or theft.

Reporting

With respect to the Committee's reporting obligations the Committee shall:

1. regularly report to the Board on Audit & Risk Committee activities and make appropriate recommendations. In doing so, the Committee shall ensure that Board is aware of matters that may significantly impact the financial condition or affairs of the Board.
2. support an open avenue of communication between Board, ACHSM senior executive staff, and the External Auditor. This includes, but is not limited to presentations by the Audit & Risk Committee to Board from time to time, and a standing invitation to the External Auditor to attend Audit & Risk Committee meetings.
3. evaluate the Audit & Risk Committee's own performance on a regular basis and report to Board at least annually on the Audit & Risk Committee's achievements against its proposed outcomes.

General

With respect to the control of reporting of financial information and the appreciation of risk management policies the Committee shall:

1. satisfy itself, in consultation with the External Auditor, that management is effectively managing the current areas of financial and business risk.
2. consider referring to Board and the External Auditor any fraud, illegal acts, deficiencies in internal control or other similar issues that are brought to the Committee's attention.
3. ensure management have considered significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
4. consider any legal matters brought to their attention that could significantly impact the financial statements.

Annual Financial Statements

1. review the annual financial statements and determine whether they are consistent with the information known to members. The Committee shall assess whether the financial statements reflect appropriate accounting principles and the disclosure of appropriate financial performance measures.
2. focus on judgmental areas, for example those involving valuation of assets and liabilities, guarantees, environmental liabilities, litigation reserves, commitments, contingencies and complex or unusual transactions.
3. meet with management and the External Auditor to review the financial statements and the results of the Audit.
4. review the annual report before its release and consider whether the information is reasonably consistent with the Audit & Risk Committee's knowledge of the Board and its operations.

External Audit

With respect to the oversight of the External Audit function, the Committee shall:

1. review the External Auditor's proposed Audit scope and approach and ensure no unjustified restrictions or limitations have been made.
2. review the performance of the External Auditor in its dealings with the Board.
3. monitor the independence of the External Auditor, including the review and approval in advance of any non-Audit services to be contracted by the Board from the External Auditor.
4. make recommendations to Board regarding the appointment and reappointment of the External Auditor.
5. meet separately with the External Auditor to discuss any matters that the Audit & Risk Committee or Auditors believe should be discussed privately. The Committee shall ensure that significant findings and recommendations made by the External Auditor are received and discussed on a timely basis.
6. ensure that management responds to recommendations made by the External Auditor.

Compliance with Legislation and Regulations

With respect to the oversight of the Compliance monitoring system, the Committee shall:

1. review the effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation (including disciplinary action) of any fraudulent acts or non-compliance.
2. obtain regular updates from management, with legal advice as necessary, regarding compliance matters.
3. be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements and annual report.

Agendas

Where practicable the agenda, together with any reports or documents that relate to the agenda, should be forwarded to committee members within 2 days prior to the meeting to enable adequate time for consideration prior to meetings.

Minutes

Accurate minutes (or actions) will be kept of each meeting and circulated to committee members for ratification (within a week), and then formally confirmed at the next meeting of the committee. All verbal reports will be minuted.

Conflicts of Interest

All members of the Committee must abide by the ACHSM Conflict of Interest Policy. At the commencement of each meeting, members should be prompted to specify any conflicts of interest they may have in respect to the proposed agenda.

If any conflicts are noted, they should be managed according to the Policy.

Membership & Accountability

- The Audit & Risk Committee is a standing committee of, and governed by the ACHSM Board, and all members will be appointed by the Board and will comprise not less than three, and up to six members, all of whom will be non-executive members. At least one member will be a member of Board.
- The Board shall appoint one of the Audit & Risk Committee members to serve as the independent Audit & Risk Committee Chairperson. The independent Chairperson shall not be a member of the Board.
- At least one independent member of the Audit & Risk Committee shall have CPA or ICAA qualifications as well as expertise in financial reporting.
- At least one member shall have knowledge of the legal framework of ACHSM
- The Board will provide a suitable Secretary to the Audit & Risk Committee.
- The CEO will be an invitee to the Committee.
- Each member of the Audit & Risk Committee should be capable of making a valuable contribution to the Committee. It is expected that each member will obtain an understanding of the detailed responsibilities of the Committee and of the operations and business-related risks of the ACHSM and its branches.

Quorum

A quorum must include at least 3 appointed members.

Frequency of meetings

Meetings are to be scheduled quarterly.