



# Audit Committee Charter

CBHS Health Fund Limited  
(**CBHS**)

November 2019

# Audit Committee Charter

The Charter of CBHS' Audit Committee (**Committee**) set out in this document was approved by the Board of Directors of CBHS Health Fund Limited (**Board**).

## 1. Purpose

The purpose of this Audit Committee Charter is to set out the authority delegated to the Committee by the Board and to set out the role, responsibilities, membership and operation of the Committee.

## 2. Establishment

The Australian Prudential Regulatory Authority's (**APRA**) Prudential Standard CPS 510 Governance mandates that private health insurers must have a separate Board Audit Committee. The Audit Committee is established by resolution of the Board.

## 3. Role

The purpose of the Committee is to assist the Board in fulfilling its accounting, auditing and financial reporting responsibilities by providing an objective non-executive review of the effectiveness of CBHS' internal control, financial reporting and risk management framework and compliance with APRA's Prudential Standard HPS 310 Audit and Related Matters.

## 4. Authority

The Committee has the authority and power to exercise the role and responsibilities set out in this Charter and under any separate resolutions approved by the Board from time to time.

## 5. Access to Information and Advisers

The Committee has direct and unlimited access to all resources necessary to discharge its responsibilities. This includes:

- a. requiring senior management or others to attend meetings and to provide any information or advice that the Committee requires;
- b. accessing CBHS documents and records;
- c. obtaining the advice of special or independent advisers and accountants or other experts, without seeking approval of the Board or management;
- d. having free and unfettered access at all times to senior management, the Actuary, the Head of Internal Audit, the external auditor, the Appointed Actuary, risk and financial control personnel and other parties; and
- e. the authority to conduct or direct any investigation required to fulfil its responsibilities including engaging such external advisers as it deems necessary to carry out its functions.

## 6. Responsibilities

The Committee is responsible for:

### 6.1 External reporting

- a. overseeing and reviewing the integrity of CBHS' external financial reporting, professional accounting and financial statements and the overall policy direction of the audit function;
- b. overseeing the external reporting process (including reporting required under the Prudential Standards) at the CBHS Group and health benefit fund levels;
- c. ensuring sound systems and procedures are in place for compliance with relevant laws and regulatory requirements relating to financial reporting;
- d. reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the preparation of accounts and external reporting;
- e. reviewing the representations made by management in relation to external reporting;

- f. reviewing the Group Chief Executive Officer (**CEO**) and Chief Financial Officer (**CFO**) declarations regarding the financial records and statements and the process supporting those declarations;
- g. assessing information from internal and external auditors that affects the quality of external reports;
- h. making a recommendation to the Board in respect of whether the external reports should be approved; and
- i. reviewing CBHS' main corporate governance practices.

## 6.2 External auditor

- a. providing prior endorsement of and recommendations to the Board on the appointment and removal of the external auditor;
- b. reviewing the external auditor's terms of engagement and performance annually and being satisfied that the external auditor and the external audit function are adequate and independent, having regard to relevant legislation and regulatory requirements;
- c. ensuring there is unfettered access for the external auditor to raise matters directly with the Board or the Committee, including inviting the external auditor to attend Committee meetings to present the audit plan, discuss audit results and consider the implications of external audit findings;
- d. ensuring that the external auditor attends the Annual General Meeting and is available to answer questions from members relevant to the audit;
- e. reviewing regularly the scope and adequacy of the external audit plan and assessing whether it addresses CBHS' financial reporting requirements and material risks and reviewing the results of the audit findings to ensure that the issues are being managed and rectified in a timely manner and report to the Board as appropriate;
- f. reviewing management certifications regarding the completeness and accuracy of statutory accounts and the information used to compile those accounts;
- g. meeting with the external auditor without management present half yearly and annually at a minimum; and
- h. requiring that the lead external audit engagement partner normally be rotated every five years, or more frequently if the Committee considers it desirable to maintain the external auditor's independence.

## 6.3 Internal audit

- a. ensuring the adequacy, expertise, performance and independence of the internal audit function and overseeing management's processes for ensuring that internal audit function is adequately resourced and skilled for the size and corporate complexity of CBHS;
- b. ensuring internal audit independence and objectivity is maintained and conflicts of interest are avoided;
- c. reviewing and approving the Internal Audit Charter annually;
- d. ensuring appropriate coordination between internal and external auditors;
- e. ensuring that there is unfettered access:
  - i. for the internal audit function to raise matters directly with the Board or the Committee and meeting with the internal audit function without management present; and
  - ii. for the internal audit function to all business operations of CBHS;
- f. regularly reviewing and approving the Annual Internal Audit Plan and annual work program to ensure that it covers all material risks and processes and making recommendations to the Board;
- g. satisfying itself that internal audit processes are clearly documented and subject to regular review;
- h. monitoring management's response to the internal audit findings and recommendations and overseeing management's processes for ensuring that issues identified are addressed in an appropriate and timely manner;

- i. providing prior endorsement of the appointment or removal of the Head of Internal Audit; and
- j. ensuring the Head of Internal Audit at all times has a reporting line and unfettered access to the Committee.

## 6.4 Internal control and actuarial

- a. overseeing and reviewing systems to ensure effective management of financial and non-financial risks;
- b. reviewing the internal control framework at least annually to ascertain whether it:
  - i. has been designed to effectively manage material business risks; and
  - ii. is operating effectively in all material respects in relation to financial reporting risks;
- c. ensuring CBHS maintains policies and procedures for employees to submit confidentially, information about accounting, internal controls, compliance and audit, and other matters the employees are concerned about and ensuring that the employees are aware of these policies and dealing with the matters raised by employees under these policies;
- d. referring to the Risk Committee and Asset & Liability Committee any matters that have come to the attention of the Committee that are relevant to those Committees;
- e. ensuring that the Actuary has access to, and is advised of, any information or document in CBHS' possession or control that relates to the solvency of the health benefits fund or concerns a matter in relation to which the Actuary will be required to give advice;
- f. ensuring that there is unfettered access:
  - i. for the Actuary to raise matters directly with the Board or the Committee; and
  - ii. for the actuarial function, to all business operations of CBHS.

## 7 Membership

### 7.1 Composition and Size

The Committee is appointed by the Board and shall consist of at least three members:

- a. all of whom must be non-executive directors; and
- b. between them have accounting and financial expertise and a sufficient understanding of the health insurance industry to be able to discharge the Committee's mandate effectively.

### 7.2 Chair

The Chair of the Committee must be an independent director<sup>1</sup> and must not be the Chair of the Board. The Chair of the Board can be a member of the Committee.

### 7.3 Secretary

The Group Company Secretary is the secretary to the Committee, however either the Group Company Secretary or the Assistant Company Secretary may attend the meetings of the Committee.

## 8 Meetings

### 8.1 Frequency and Scheduling

The Committee meetings will be conducted in accordance with the provisions of CBHS' Constitution and APRA's Prudential Standards. The Committee will meet a minimum of four times each year or otherwise as frequently as required to undertake its role effectively.

Meetings will be scheduled for an upcoming calendar year towards the end of each calendar year. Unscheduled meetings may be convened by the Chair where required (including using technology as permitted by the Constitution).

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<sup>1</sup> A reference to independent director is a reference to APRA's Prudential Standard CPS 510 Governance.

In cases where circumstances make it impractical to convene and hold a meeting, the Committee may pass resolutions by each member signing a circular resolution.

## 8.2 Quorum

Two committee members constitute a quorum for meetings of the Committee.

## 8.3 Third Party Attendances

Third parties may attend meetings by invitation.

## 8.4 Minutes and Reporting

The minutes of Committee meetings must be circulated at the next Board meeting immediately following the Committee meeting (unless, because of time constraints, this is not practicable, and the minutes can only be reasonably circulated at a later Board meeting).

The Committee through its Chair will:

- a. report to the Board on its activities at the next Board meeting on a regular basis and no later than the next Board meeting following a Committee meeting; and
- b. ensure that the Board is aware of material matters considered by the Committee.

## 9 Performance

The Committee will ensure that its performance against the Charter is formally reviewed at least annually in accordance with processes established by the Board and the Group Company Secretary will report the findings of that review to the Committee. The Chair of the Committee will report the findings of that review to the Chair of the Board.

## 10 Review

This Charter will be reviewed by the Committee annually, including reviewing and evaluating the effectiveness of the Committee in meeting the individual needs and requirements of CBHS.

Proposed changes to the Charter will be submitted to the Board for approval. The Committee may approve non-material or administrative amendments to this Charter and report these to the Board.

The Charter is to be made available on the CBHS website at [www.cbhs.com.au](http://www.cbhs.com.au)

## 11 Version

| <b>Version Number</b> | <b>Date Approved</b>     | <b>Approved By</b>                   | <b>Changes</b> |
|-----------------------|--------------------------|--------------------------------------|----------------|
| V1.0                  | 23.05.2019<br>30.05.2019 | Audit & Risk Committee<br>CBHS Board |                |
| V2.0                  | 18.11.2019<br>12.12.2019 | Audit Committee<br>CBHS Board        | No changes     |