



Audit & Risk Committee Charter

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Table of contents

Document Information	3
Document History	3
Document Approval	3
1. Introduction	4
1.1 Establishment.....	4
1.2 Purpose	4
Duties and Responsibilities: Financial Reporting and Internal Control	4
Duties and Responsibilities: Group Audit and External Audit	4
Duties and Responsibilities: Risk Tolerance	5
Duties and Responsibilities: Risk Management	5
Duties and Responsibilities: Other	5
1.3 Committee Membership.....	6
1.4 Meetings	7
1.5 Powers of the Audit and Risk Committee.....	7
1.6 Reliance on information or advice provided by others.....	8
1.7 Amendments to this Charter	8

Document Control

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1. Introduction

1.1 Establishment

The Audit and Risk Committee shall be a committee of the Board established by resolution of the Board.

1.2 Purpose

The purpose of the Audit and Risk Committee is to assist the Board in the performance of its statutory and prudential duties and obligations to shareholders by:

- providing an objective, non-executive review of:
 - the effectiveness of Kina's reporting of financial information; and
 - the effectiveness of Kina's audit systems and controls;
- providing detailed, well researched advice to the Board on financial, taxation, insurance and other issues;
- reviewing the effectiveness of Kina's risk management framework in ensuring the Kina Group's operations fall within the stated risk tolerance envelope; and
- providing an objective review of the effectiveness of Kina's overall risk management framework.
- In addition, the committee may provide well researched financial, taxation, insurance and other advice to the board.

Duties and Responsibilities: Financial Reporting and Internal Control

The duties and responsibilities of the Audit and Risk Committee are to:

- review Kina Group's half and full year statutory financial reports and consider whether they are consistent with information known to the Committee members and reflect appropriate accounting principles, standards and regulations;
- oversee the financial reporting process;
- review key aspects of the Kina Group's major market update presentations for the half and full year statutory reports;
- receive assurances from the External Auditor that those presentations are consistent with audited statutory accounts;
- review the processes used to reach the opinions provided in the regulatory certifications of the CEO and Chief Financial Officer under PNG law;
- review management's report on financial reporting risks, including any disclosures made;
- oversee BPNG statutory reporting requirements and undertake an independent review of the Kina Group's reporting under these requirements;
- Receive key audits and ensure senior management is taking corrective actions in a timely manner to address control weaknesses, areas of non-compliance with policies, procedures or regulations, as identified by the external or internal auditor;

Duties and Responsibilities: Group Audit and External Audit

The duties and responsibilities of the Audit and Risk Committee are to:

- recommend the appointment or, if necessary, the removal of the External Auditor to the Board for approval by the shareholders;
- oversee and appraise at least annually the independence, adequacy and effectiveness of the External Auditor (including the rotation of the external audit partner), and review and approve the External Auditor's fee and terms of engagement;

- oversee and appraise at least annually the independence of the Kina Group internal audit function, provide feedback to management on its performance and obtain an external assessment of the adequacy and effectiveness of the internal audit function at least once every five years, at the Committee's discretion;
- review the annual risk and audit plans of the External Auditor.
- Review and approve the annual risk and audit plans of the Internal Auditor and all major changes to their plans, and oversee progress of their audit activities;
- review and advise, for the purposes of the directors' report to be included in the annual report, the provision of all non-audit services by or on behalf of the External Auditor during the year to the Kina Group including whether those services comply with the statutory auditor independence requirements and the reasons why; and
- approve, on the recommendation of the Chief Executive Officer, the appointment and, if necessary, the dismissal of the Internal Audit Function
- Review and approve the internal audit charter;
- Ensure the internal audit function has a reporting line and unfettered access to the chair of Kina Board and to the Audit and Risk Committee.

Duties and Responsibilities: Risk Tolerance

The duties and responsibilities of the Audit and Risk Committee are to:

- Review and recommend for approval by the Board Kina Group's risk appetite statements;
- Review and recommend for Board approval a risk management framework designed to ensure the Kina Group's operations are conducted within the approved risk tolerances;
- obtain independent assurance that the risk management framework is in place and operating effectively;
- monitor the risk profile of the Kina Group against the agreed Group risk appetite and risk management framework via management reports; and
- Review at least annually the effectiveness of the risk management framework in supporting business performance/strategy.

Duties and Responsibilities: Risk Management

The duties and responsibilities of the Audit and Risk Committee are to:

- Assess the Kina Group's risk culture, by maintaining a dialogue with the Group Chief Risk Officer and other relevant members of management and report any significant issues or concerns to the Board;
- review reports from management on the Kina Group's relations with regulatory agencies (including significant correspondence with the regulators) and report any significant issues to the Board;
- review the annual BPNG Risk Management Declaration and recommend its approval by the Board;
- monitor adherence to risk policies; and
- Advise the Remuneration and Nomination Committee on the appropriate risk factors that warrant consideration when determining the amount of incentives to be awarded, and the amount of deferred incentives or long-term incentives to be vested.

Duties and Responsibilities: Other

The duties and responsibilities of the Audit and Risk Committee are to:

- oversee the operation of the Kina Group's Protected Disclosure (Whistle Blowing) Policy which encourages employees and other stakeholders to report any concerns about fraud, corruption, misuse of Group resources, accounting or auditing irregularities or any breaches of law or internal policy under an assurance of protection from reprisal or retribution;

- Receive and discuss any breach reports dealing with material breaches of laws and regulatory requirements relating to any part of the Kina Group;
- consider any significant trends emerging that have the potential to adversely affect Kina and consider the need for new measures to limit the risk;
- review and discuss any reports concerning material violations of laws and regulatory requirements relating to any members of the Kina Group;
- review and assess annually the Committee's performance of its responsibilities under this Charter and report the Committee's conclusions to the Board;
- review and assess annually the effectiveness of the Committee as part of the annual Board effectiveness review, with those findings to be considered by the Committee and the Board and actioned as appropriate.

1.3 Committee Membership

The Audit and Risk Committee shall comprise at least three members appointed by resolution of the Board. All members must be non-executive directors with a majority being independent directors.

Members shall be appointed for a term of three years subject to annual review by the Board.

The Chairman of the Committee shall be appointed by the Board and must be an independent director. The Chairman of the Board may be a member of the Committee but must not be Chairman.

When appointing members of the Audit and Risk Committee, the Board shall have regard to the need for at least one member to hold a recognised qualification in a finance-related discipline and for all members to be financially literate.

When appointing members of the Audit and Risk Committee, the Board shall have regard to the need for all members to have a sound understanding of the concept of risk and the principles of managing risk.

Members of the Committee must be available to meet with officials from BPNG when requested.

The current members of the Committee (including their qualifications and experience), the number of Committee meetings and Committee members' attendance at those meetings will be disclosed in the Company's annual report or on the Company's website.

1.4 Meetings

The Audit and Risk Committee shall meet as frequently as is required to undertake its role effectively but not less than quarterly.

A quorum shall be one half of the appointed members of the Audit and Risk Committee (rounded upwards if not a whole number). The Committee must not transact business unless a quorum is present.

No one other than members of the Audit and Risk Committee shall be entitled to attend meetings of the Committee but the Committee may invite other non-executive directors to attend. Senior management must attend the meetings of the Committee when requested to do so by the Committee.

Any member of the Committee, the Chief Executive Officer, the Chief Financial Officer, the External Auditor, the Group Auditor and the Chief Compliance Officer may request a meeting at any time.

A record must be kept of all meetings, recommendations and decisions of the Audit and Risk Committee. The minutes of meetings must be presented to the first meeting of the Board following a meeting of the Audit and Risk Committee. The Chairman of the Committee must also provide a brief report to the Chairman of the Board following every meeting of the Committee.

1.5 Powers of the Audit and Risk Committee

The Audit and Risk Committee shall have absolute right of access to any information held by the Kina Group that it requests including:

- all internal and external (including risk-related) correspondence;
- all personnel records;
- minutes, records and file notes of all management meetings;
- minutes of all meetings of the Kina ALCO and the Credit Committees;
- all contracts;
- all financial transactions; and
- all financial accounts (whether in draft or final form, audited or unaudited).

The Audit and Risk Committee shall have unfettered access to all members of the senior management team, executive staff holding Responsible Person positions, the Group Auditor and the Chief Compliance Officer. All staff must respond promptly and openly to questions from the Committee and requests for explanations.

The senior management team, executive staff holding Responsible Person positions, the Internal Audit, the Chief Risk Officer, the External Auditor and the Chief Compliance Officer have unfettered access to the Audit and Risk Committee. Internal Audit shall have a direct reporting line to the Chair of the Committee and an administrative reporting line to the Chief Executive Officer.

The Audit and Risk Committee shall have the right to meet with the External Auditor, with or without management present, at any time the Committee requests. The External Auditor shall have the right to request a meeting with the Audit and Risk Committee at any time. The External Auditor shall report to the Board through the Committee.

The Audit and Risk Committee shall have the right to meet with the Internal Audit function without management present, at any time the Committee requests, and will do so, at a minimum, at least once annually.

The Audit and Risk Committee may, with the approval of the Chairman of the Board, retain independent legal, accounting, taxation, risk management or other professional advisors to the extent the Committee considers necessary at the Kina Group's expense.

1.6 Reliance on information or advice provided by others

Members of the Audit and Risk Committee shall be entitled to rely on the advice and expertise of executives, legal counsel and other advisers acting within the scope of their professional discipline subject to the normal requirements of diligent inquiry and rational consideration.

1.7 Amendments to this Charter

The Audit and Risk Committee shall review the adequacy of this Charter annually and may recommend to the Board any amendments it considers appropriate.