



# **Audit Committee Charter**

St Andrew's Insurance (Australia) Pty Ltd

St Andrew's Life Insurance Pty Ltd

St Andrew's Australia Services Pty Ltd

Approver
Board of Directors – St Andrew’s Group of Companies

Owner
Company Secretary

Functional Owner
Company Secretary

Hierarchy Classification
Level 1 Policy

Revision History			
Version	Approval Date	Author	Description <sup>1</sup>
2	22 February 2016	Company Secretary	Annual Revision of Policy and amendments to meet requirements of the BOQ Group Policy Framework
3	19 February 2018	Company Secretary	Annual Revision of Policy
4	17 July 2019	Company Secretary	Annual Revision of Policy
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<sup>1</sup> No changes were considered necessary as a result of the 2017 and 2020 annual reviews.

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# 1 Introduction

## 1.1 Scope

The Audit Committee (**the Committee**) performs the functions outlined in this charter, for each of the following entities that have operations that require oversight by the Audit Committee.

- St Andrew's Australia Services Pty Ltd (**SAAS**);
- St Andrew's Insurance (Australia) Pty Ltd (**SAI**); and
- St Andrew's Life Insurance Pty Ltd (**SALI**)

together, the **St Andrew's Group**.

The reference to the Board in the Charter means the Board of the St Andrew's Group and/or the Board of each entity referred to above. The reference to Directors means the directors of the St Andrew's Group.

In relation to the St Andrew's Group, oversight by the Audit Committee of Bank of Queensland Limited (**BOQ**, the **Bank** or the **BOQ Group**) will be satisfied by way of the receipt of reports and updates, as agreed from the Chairperson of the Committee to the Chair of the BOQ Audit Committee.

A reference to a policy includes reference to such policy, as amended from time to time.

## 1.2 Objectives

The Committee is a committee of the Board that assists the Directors in discharging the Board's responsibilities for the oversight and governance of financial and audit matters.

In this role, the Committee has no executive responsibility. It is responsible for performing its duties in accordance with its Charter and making recommendations to the Board on the adequacy of external and internal audit and financial management. The objectives of the Committee reflect this important role and include the following:

- Assisting the Board to discharge its responsibilities to exercise due care, diligence and skill in relation to the:
  - reporting of financial information to users of the financial reports;
  - application of accounting policies; and
  - internal control systems.
- Providing a formal forum for communication regarding audit items and items raised by the Committee between the Board and senior financial staff of both the St Andrew's Group and the Bank in relation to financial matters and to ensure that there is accountability for the timely and effective closure of significant issues by Management of the St Andrew's Group.
- Improving the efficiency of the Board by undertaking tasks delegated to it by the Board where such tasks should be discussed in sufficient depth.
- Monitoring and oversight of the effectiveness of the internal and external audit functions and the communication between the Board and the external auditors, BOQ Group Assurance and Management of the St Andrew's Group.
- Reviewing the policies governing the St Andrew's Group's provisioning in respect of insurance liabilities and non-performing assets and the adequacy of these provisions.
- Facilitating the independence of the external auditor, BOQ Group Assurance and Reviewing Actuary.
- Providing a structured reporting line for BOQ Group Assurance.

## 1.3 Duties and Responsibilities

The Committee is required to discharge the following duties and responsibilities:

### 1.3.1 Financial Reporting

To review and report to the Board on:

- Annual Financial Reports, including making recommendations to the Board and the Board of the Bank for the adoption of these reports. The review is to include the following disclosures:
  - Any significant changes in accounting policies, principles and practices. This includes any proposed departures from accounting standards;
  - The appropriateness of disclosures in the financial statements;
  - Any significant audit adjustments;
  - Related party transactions; and
  - Any known issues that may have a material impact on the financial statements, including any material subsequent events.
- APRA statutory reporting requirements and other financial reporting requirements.
- ASIC reporting requirements and enquiries.
- The reasonableness of significant estimates and judgements in the financial reports.
- In conjunction with the external auditor, the appropriateness of the accounting principles and policies used.
- Responses to complaints regarding accounting and auditing matters.
- The adequacy of the Committee Charter on an annual basis.
- Whether external reporting is consistent with Committee members' information and knowledge and is adequate for the Board and the Bank's needs.
- Assessment of the Management processes supporting external reporting.

### 1.3.2 BOQ Group Assurance function

Oversight of the BOQ Group Assurance function across the St Andrew's Group, including the review of, and reporting to the Board (as necessary) on, the following matters:

- The St Andrew's Group's component of the BOQ Group's annual Group Assurance Plan, including the scope and resourcing relevant to the St Andrew's Group, to ensure it covers all material risks.
- Any relevant reports received from the BOQ Group's Group Assurance function relating to insurance risk, internal controls and systems and relevant BOQ Group shared service functions, including status updates on issues raised by Group Assurance and external audit.
- Review of the BOQ Group's Group Assurance budget and resource plan relevant to the St Andrew's Group.
- The adequacy of the St Andrew's Group's internal control framework.
- The adequacy, appropriateness and responsiveness of the St Andrew's Group's Management to the BOQ Group's Group Assurance function's findings and recommendations, and the timeliness with which action plans are completed.
- The independence of the BOQ Group's Group Assurance function relevant to the St Andrew's Group.

### 1.3.3 External Audit Function

The External Auditor contributes to the safeguarding of the integrity of the St Andrew's Group's financial reporting.

Accordingly, the St Andrew's Group considers that the External Auditor must demonstrate the following attributes:

- Be an internationally recognised and respected accountancy firm which has access to expert accounting standards research and sufficient resources and technical expertise to carry out the engagement.

- Have partners and staff that possess professional standing and appropriate skills, knowledge and experience.
- An ability to provide high audit quality control processes and efficient audit services.
- Independence.
- An ability to satisfy the terms of the BOQ Group's Fit & Proper Policy.

#### **1.3.3.1 Appointment and Removal**

The procedure adopted for the selection and appointment of the External Auditor may vary from time to time. The selection process will be determined by the BOQ Group and may involve firms tendering by invitation or by holding an open tender.

If the BOQ Board determines that the BOQ Group should go to tender for external audit services, the St Andrew's Group Audit Committee will participate, as required, in the selection and appointment process.

The External Auditor selection and appointment process is detailed in the BOQ Group Audit Committee Charter. The St Andrew's Group Audit Committee will facilitate the BOQ Group Audit Committee in satisfying its responsibilities regarding the selection and appointment of an External Auditor and will ensure that upon engagement, the External Auditor will have unfettered access to the St Andrew's Group Management, staff, records and company facilities, and is permitted reasonable, agreed time to conduct the audit.

The Committee will report to the Board on:

- when appropriate, and based on the overall performance assessment and the term of the current engagement, whether it recommends that the external audit program be put out to tender;
- its recommendations in relation to any proposed appointment or removal of the external auditor; and
- whether the external auditor is fit and proper for the purposes of the Bank's Fit and Proper Policy.

#### **1.3.3.2 Engagement**

The Committee will report to the Board on:

- its review of the External Auditor engagement, which is to occur at least annually;
- the scope of the external audit in relation to the St Andrew's Group, particularly the identified risk areas and whether, in conjunction with Group Assurance's internal audit program, all material risks and financial reporting requirements are covered, together with any additional agreed-upon procedures, on a regular and timely basis;
- the fees payable to the External Auditor for audit and Non-audit work; and
- the external audit plan in relation to the St Andrew's Group, its discussion of audit results and its consideration of the implications of the external audit findings for the control environment.

#### **1.3.3.3 Performance**

The Committee will report to the Board on:

- an assessment of the external auditor's overall performance, through a formal process, conducted annually by the BOQ Group; and
- whether the external auditor is fit and proper for the purposes of the BOQ Group's Fit and Proper Policy.

#### **1.3.3.4 Independence and Non Audit Services**

The Committee will report to the Board on:

- whether the external auditor meets the applicable independence tests detailed in the BOQ Group's Auditor Independence Policy, Prudential Standard CPS 510 *Governance* (including APES 110 Code of Ethics for Professional Accountants), which is to occur at least annually; and
- the review of the provision of non-audit services by the Bank's external auditor, in terms of type and quantity of services provided, including ensuring compliance with the BOQ Group's Auditor Independence Policy.

Where the external auditor provides non-audit services, the report should state whether the Committee is satisfied that the provision of those services has not compromised the auditor's independence.

### **1.3.3.5 Management**

The Committee will report to the Board on:

- all representation letters signed by the St Andrew's Group's Management and ensure that the information provided is consistent with the Committee's knowledge;
- inquiries of the auditor if there have been any significant disagreements with the St Andrew's Group's Management, irrespective of whether or not they have been resolved; and
- the monitoring of the St Andrew's Group's Management's adequacy, appropriateness and responsiveness to the external auditor's findings and recommendations.

### **1.3.3.6 External Auditor Rotation**

The Committee monitors the effectiveness of external auditor rotation. The external auditor is required to rotate the lead audit partner and the audit review partner, so that neither role is performed by the same partner for more than five years, or more than five years out of seven successive years, in accordance with the BOQ Group Auditor Independence Policy.

The BOQ Group Auditor Independence Policy is administered by the BOQ Audit Committee and any assignment that is taken by the external auditor on behalf of the St Andrew's Group must be reported to the BOQ Audit Committee for noting.

## **1.3.4 Actuarial**

The Committee will review and report to the Board on:

- the SALI Appointed Actuary's recommendations on the insurance liability valuation of SALI for statutory and regulatory reporting purposes as at financial year-end;
- the SALI Appointed Actuary's recommendations on the estimation of the capital base, prescribed capital amount and prudential capital requirement of SALI for statutory and regulatory reporting purposes as at financial year-end;
- the Chief Actuary's recommendations on the insurance liability valuation of SAI for statutory and regulatory reporting purposes as at financial year-end;
- the Chief Actuary's recommendations on the estimation of the capital base, prescribed capital amount and prudential capital requirement of SAI for statutory and regulatory reporting purposes as at financial year-end; and
- where a Reviewing Actuary is appointed, the Reviewing Actuary's report on the external peer review of the insurance liability valuation of SAI.

### **1.3.4.1 Appointment of the Appointed Actuaries of SALI and SAI and Reviewing Actuary of SAI**

Where those appointments involve the engagement of a person not employed by the St Andrew's Group, the Committee will make recommendations on the terms of the engagement and review the engagements at least annually, including independence tests in the case of the Reviewing Actuary. This will also include whether the Appointed Actuary and Reviewing Actuary are fit and proper for the purposes of the Fit and Proper Policy.

## **1.3.5 Prudential & APRA**

The Committee will review and report to the Board on:

- the objective, scope and outcome of the annual targeted reviews (if relevant);
- the external auditor's annual assurance report on compliance with APRA prudential requirements and prudential statistical returns, and any associated assessments and other material prepared in connection with fulfilling the requirements of APRA Prudential Standards;
- commentary or responses provided by APRA on reports provided by the external auditor, and any associated assessments and other material; and

- any commentary or response by the St Andrew's Group's Management on the reports, associated assessments and other material provided in response to reviews conducted by or on behalf of APRA, including all required actions (prudential and tripartite reviews).

The Committee members are to be available to meet with APRA on request.

### 1.3.6 Other Responsibilities

The Committee will review and report to the Board on:

- any discussions with the St Andrew's Group's Management and the external auditor and any correspondence with regulators or government agencies which raise material issues or could impact on matters regarding the St Andrew's Group's financial statements or accounting policies;
- any discussions with the BOQ Group's General Counsel regarding any legal matters that may have a material impact on the St Andrew's Group's financial statements; and
- the review of Group Assurance results and the status of the Group Assurance annual plan that is relevant to the St Andrew's Group; and
- any discussions and reports provided, as required, to the Chief Financial Officer (**CFO**) of the BOQ Group, and the Chairperson of the BOQ Audit Committee (as necessary) on relevant audit matters that come to the attention of this Committee.

The CFO of the BOQ Group and the BOQ Audit Committee will refer to the Committee any matters that have come to the attention of the CFO or the BOQ Audit Committee that are relevant for the Committee for noting or consideration, or which should be dealt with by the Committee.

The Committee will respond to complaints regarding accounting and auditing, including complaints from those who wish to remain anonymous.

The complaints procedure will operate as follows:

1. The complaints will be brought to the attention of the Committee by the Head of Group Assurance.
2. The complaints will be discussed by the Committee and if directed by the Committee, the Head of Group Assurance will conduct an investigation and report back to the Committee on the outcome of the investigation.
3. The scope of any investigation will be set by the Committee.
4. Where appropriate, the Committee may request the external auditor to assist in any investigation.
5. The Head of Group Assurance will respond to any complaint at the direction of the Committee.
6. The Head of Group Assurance will maintain a register of complaints and report to each Committee meeting, the details of any complaints received and the status of any outstanding complaints.
7. The complaints procedure operates independently of the BOQ Whistleblower Policy. Complaints received in accordance with the BOQ Whistleblower Policy will be investigated in accordance with the procedures outlined in the BOQ Whistleblower Policy.

## 1.4 Meetings

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### 1.4.1 Frequency

The Committee will meet at least four times per annum and otherwise as required. One of the meetings must be prior to the Board meeting at which the Bank's Annual Financial Reports are adopted.

The Chairperson of the Committee or the Chairperson of the Board may call a meeting of the Committee at any time, or if so requested by any member of the Committee. The external auditor will be invited to meetings of the Committee. The Chief Actuary may be invited to the meetings of the Committee. The Committee may request certain parties to withdraw from any part of a meeting.

### 1.4.2 Quorum

A quorum will consist of two independent, non-executive directors.

The members of the Committee will meet with the external auditors without Management personnel being present at least twice per annum. The Committee may meet with Group Assurance without other



Management personnel present. These meetings will address, amongst other things, whether the internal or external auditors (as the case may be) have received co-operation from Management and whether there have been any impediments to carrying out their respective audits.

The Chairperson of the Committee will meet regularly and separately with the Head of Group Assurance and with the external audit partner, and with the Chairperson of the BOQ Audit Committee.

Representatives of Management of both the St Andrew's Group and the BOQ Group may be invited to attend part or all of any meeting of the Committee, unless the Committee determines otherwise. The Committee may request certain parties to withdraw from any part of a meeting.

## 1.5 Agenda and Minutes

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The Committee Secretary, in conjunction with the Chairperson, will draw up the agenda for each meeting. The agenda and supporting documentation will be circulated to each member of the Committee and attendees at least one week prior to each meeting.

The Committee Secretary will prepare the Minutes of the Committee meetings within 7 days of the conclusion of each meeting. Draft minutes will be provided to the Chairperson of the Committee for review, prior to distribution to all Directors. The draft Minutes will also be included in the papers for the next Board meeting.

### 1.5.1 Reporting

In addition to providing the Board with a copy of the Minutes of its meetings, the Audit Committee will, through its Chairperson, report to the Board on its meetings, update the Board about material relevant to the Committee's role and make appropriate recommendations for approval by the Board and make annually a report to the Audit Committee of Bank of Queensland Limited.

## 1.6 Committee Membership

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The Committee will comprise a minimum of three non-executive directors of the Board, with the majority of members being independent directors, in the assessment of the Board under its Policy on Independence.

Where possible, at least one member should have professional accounting, or professional financial management expertise.

Members will be given the opportunity to attend technical or professional development courses to assist them in keeping up to date with legislative, accounting or other relevant issues.

New members will be provided with a copy of the Committee's Charter and other specific information about the St Andrew's Group.

The Committee (including the Chairperson of the Committee) will be appointed by the Board of Directors, following consideration of recommendations from the Nomination & Governance Committee of the Bank. Membership of the Committee will be reviewed by the Board, and the Board of the Bank, on an annual basis.

## 1.7 Chairperson and Secretary

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### 1.7.1 Chairperson

The Chairperson of the Committee will be an independent non-executive Director of the St Andrew's Group and will be appointed by the Board of the Bank. The Chairperson of the Board must not be the Chairperson of the Committee.

The Chairperson of the Committee should report formally to the Board with a summary of the Committee's work and results. This should include the Committee's meetings, any formal recommendations of the Committee and other major issues of which Committee believes the Board should be informed.

### **1.7.2 Secretary**

The Bank's Company Secretary or his/her designated representative shall be appointed Secretary to the Committee.

## **1.8 Charter Review**

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The Committee Charter is to be reviewed by the Committee every year, with any changes to be submitted to the Board for approval.

## **1.9 BOQ Auditor Independence Policy**

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The BOQ Audit Committee reviews annually the BOQ Auditor Independence Policy on behalf of the BOQ Group. This policy was last approved by the BOQ Board in February 2017.