

Hawai'i Pacific Health Audit Committee Charter

I. PURPOSE

The purpose of the Hawai'i Pacific Health Audit Committee (hereinafter "Audit Committee") is to assist the Hawai'i Pacific Health Board of Directors (hereinafter "HPH Board") in fulfilling the HPH Board's oversight responsibilities for (1) the quality of financial accounting and financial reporting processes, (2) the systems of internal and financial controls, (3) the internal audit function, and (4) the annual independent audit of Hawai'i Pacific Health's financial statements.

II. AUTHORITY

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. The Audit Committee is empowered to:

- Select annually the independent public accounting firm (hereinafter "Independent Auditor"), subject to approval by the HPH Board. Once the Independent Auditor is retained, the Audit Committee shall oversee the arrangements for retention and the work performed;
- Resolve any disagreements between management and the Independent Auditor regarding financial reporting;
- Pre-approve all auditing and non-audit services provided by the Independent Auditor;
- Retain independent counsel, accountants, or others to advise the Audit Committee or assist in the conduct of an investigation;
- Seek any information the Audit Committee requires from employees-all of whom are directed to cooperate with the Audit Committee's requests or the requests of external parties retained by the Audit Committee; and
- Meet with management, the Director of HPH Internal Audit, and the Independent Auditor to discuss audit activities and results, as deemed appropriate by the Audit Committee.

III. COMPOSITION

The Audit Committee shall be composed of at least three (3) independent directors of the HPH Board. The HPH Board will appoint Audit Committee members and the individual to serve as the Audit Committee Chair. No person shall be a member of the Audit Committee who is an employee of HPH or who otherwise has an economic relationship with HPH that would create a conflict of interest as provided in HPH's policies on conflicts of interest.

Each Audit Committee member shall have a working familiarity with basic finance and accounting practices and must be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. At least one member of the Audit Committee must have accounting or related financial management experience.

IV. MEETINGS

The Audit Committee shall meet at least four (4) times each fiscal year, with authority to convene additional meetings as circumstances require. All Audit Committee members are expected to attend each meeting, in person or via tele- or video-conference. The Audit Committee may invite members of management, Independent Auditor or others to attend meetings and provide pertinent information, as determined by the Audit Committee. The Audit Committee shall meet privately in executive session at least annually with the HPH President & Chief Executive Officer, the Director of Internal Audit, the Independent Auditor and any other individuals the Audit Committee deems appropriate to discuss any issues arising out of the Audit Committee's responsibilities. Meeting agendas will be prepared and provided in advance to Audit Committee members, along with appropriate briefing materials. The Audit Committee shall maintain minutes of its meetings.

V. RESPONSIBILITIES

The Audit Committee shall carry out the following responsibilities:

Financial Statements

- Review with management the significant accounting and reporting issues, and understand their impact on the financial statements. These issues include:
 - complex, unusual or significant transactions and highly judgmental areas,
 - recent professional and regulatory pronouncements, and
 - major issues regarding accounting principles and financial statement presentations, including any significant changes in HPH's selection or application of accounting principles.
- Review with management and the Independent Auditor the annual financial statements prior to the issuance of the financial statements. This review includes the following:
 - any disputes (resolved or unresolved) between management and the Independent Auditor that arose in connection with the preparation and audit of the financial statements,
 - judgment about the quality, not just the acceptability of accounting principles,
 - reasonableness of significant judgments, and
 - clarity of disclosures in the financial statements.
- Review with management and the Independent Auditor the results of the annual audit and all matters required to be communicated to the Audit Committee under generally accepted auditing standards;
- Review with management the quarterly financial statements before release to third parties, and consider whether they are complete and consistent with the information known to Audit Committee members; and

Internal Control

- Discuss with management, the Director of Internal Audit, and the Independent Auditor the adequacy and effectiveness of HPH's internal control system;
- Understand the scope of the Internal Audit's and Independent Auditors' review of internal control over financial accounting and reporting, and obtain reports on significant findings and recommendations, together with management's responses; and
- Evaluate whether management exhibits the proper "tone at the top" and fosters a culture and environment that promotes high-quality financial reporting and internal control.

Internal Audit

- Review with management and the Director of Internal Audit the HPH Internal Audit Charter, annual audit plan, activities, staffing, and organizational structure of the internal audit function;
- Exercise final authority to review and approve the annual audit plan and all major changes to the plan;
- Ensure there are no unjustified restrictions or limitations;
- Appoint, replace, or dismiss the Director of Internal Audit;
- Review the results of internal audits and related recommendations for improvements to the internal control structure;
- Ensure that HPH's management gives adequate consideration to and implements the recommendations contained in Internal Audit reports;
- Ensure that Internal Audit is able to perform its function independently from any inappropriate internal or independent influence;
- At least once per year, working with the support of the head of HPH Human Resources department and using the HPH performance review system and compensation policies, review the performance of the Director of Internal Audit and, as appropriate, approve the annual compensation and salary adjustment;
- Review the effectiveness of the internal audit function,
- On a periodic basis, meet separately with the Director of Internal Audit to discuss any matters that the Audit Committee or Internal Audit believes should be discussed privately.

Independent Audit

- Receive and consider any recommendations of management regarding the Independent Auditor to be retained, including management's evaluation of factors in relation to the independence of the Independent Auditor;
- Review the Independent Auditor's proposed scope and approach, including potential coordination of audit effort with Internal Audit;
- Review the performance of the Independent Auditor and recommend to the HPH Board the appointment or discharge of the Independent Auditor;

- Review and confirm the independence of the Independent Auditor by discussing with the Independent Auditor its independence from management and HPH and consider the compatibility of non-audit services with the Independent Auditor's independence;
- On a periodic basis, meet separately with the Independent Auditor to discuss any matters that the Audit Committee or the Independent Auditor believes should be discussed privately; and
- Review the Independent Auditor's management letter which suggests areas of improvement in HPH's accounting and financial reporting practices and internal accounting controls, and management's responses thereto.

Reporting Responsibilities

- Regularly report to the HPH Board about Audit Committee activities, issues, and related recommendations;
- Provide an open avenue of communication between Internal Audit, the Independent Auditor, the HPH Board and management; and
- Review any other reports that relate to the Audit Committee's responsibilities prior to release to third parties.

Other Responsibilities

- Assess HPH's major policies with respect to risk assessment and risk management;
- Oversee management's establishment of appropriate controls and antifraud programs to prevent fraud and take the necessary steps when fraud is detected;
- Receive reports from management or Internal Audit regarding (i) any material fraud or (ii) any fraud, whether or not material, that involved management and review the corrective actions implemented;
- Establish procedures for the receipt, retention, and treatment of complaints received by HPH regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- Establish procedures to communicate to all employees the option of submitting confidential concerns as to such matters directly to the Audit Committee Chair;
- Institute and oversee special investigations as needed;
- Review and assess the adequacy of this Audit Committee Charter annually, requesting HPH Board approval for proposed changes;
- Evaluate the Audit Committee's performance on an annual basis; and
- Perform other activities related to this Audit Committee Charter as requested by the HPH Board.