



Australian Government

Commonwealth Superannuation Corporation

Audit Committee Terms of Reference



Commonwealth
Superannuation
Corporation

Purpose

The purpose of the Audit Committee (Committee) is to assist the Board of CSC in discharging its responsibilities by providing an objective non-executive review of the financial reporting, taxation and regulatory compliance framework. Specifically, the Committee will focus on assessment of:

- the integrity of financial reports, including professional accounting and taxation requirements;
- significant financial and accounting issues and accounting policies;
- regulatory requirements and compliance, including all APRA statutory reporting requirements;
- assurance over the internal control and compliance systems;
- Commonwealth performance reporting requirements; and
- audit effectiveness, independence, scope and planning of both internal and external audits.

The Committee is also charged with the responsibility of:

- providing an effective forum for communication between the Board, senior management and the internal and external auditors;
- monitoring the implementation of recommendations made in audit and other reports provided to the Committee; and
- reviewing the appropriateness of CSC's risk oversight and management.

Responsibilities

In discharging its responsibilities to the Board, the Committee shall consider any matters relating to the financial affairs and compliance issues of CSC and any other matters it determines to be appropriate, in consultation with the Board. In addition, the Committee will examine any other matters referred to it by the Board. The duties of the Committee incorporate:

(a) External Auditors:

- to contribute to the development of the external audit plan;
- to discuss issues arising from the audit and any matters the auditor may wish to discuss;
- to consider the auditor's audit reports, management letters and management's response;
- to discuss and ensure compliance with all legislative, regulatory and other audit requirements;
- to oversee the relationship with the statutorily-appointed external auditor, the ANAO, including:
 - remuneration;
 - approval of terms of engagement and monitoring of compliance with those terms;
 - assisting the external auditor to be fully informed of all prudential requirements applicable to CSC and its schemes;
 - the outsourcing of external audit functions; and
 - development and implementation of a policy relating to the supply of non-audit services by the external auditor;
- to meet with external audit, without management being present, to discuss any issues arising from external audit work; and
- to ensure that the external auditor has free and unfettered access to all data, information, reports and staff that the external auditor believes is necessary, including access to the Committee.

(b) Financial Control and Reporting:

- to examine year-end reporting statements before submission to the Board, focusing particularly on:
 - any changes to accounting policies and practices;
 - major judgemental areas;
 - significant adjustments resulting from the audit;

- compliance with accounting standards and professional accounting requirements; and
- compliance with statutory and legal requirements.

(c) Internal Audit:

- to appoint and monitor the Internal Audit Provider;
- to approve the internal audit plan and ensure internal audit projects are adequately resourced;
- to ensure there is appropriate interaction between management and internal and external auditors;
- to meet with the internal auditor, without management being present, to discuss any issues arising from internal audit work; and
- to ensure that the internal auditor has free and unfettered right of access to the Committee.

(d) Operational Oversight and Monitoring:

To oversee and monitor:

- financial management policies and procedures, including treasury operations;
- policies, practices and procedures related to the custody of assets held in CSC's funds, including the management of external custodians;
- the compliance policies and processes for any regulatory or statutory requirements by CSC and its outsourced providers of material business activities, including all related statutory reporting requirements;
- CSC's taxation processes and CSC's tax risk profile in accordance with CSC's tax risk management policy; and
- the strategy and operation of CSC's information and communications technology, information security, and data management and governance.

(e) Other:

- to monitor management's responsiveness to the findings and recommendations of internal or external audit and compliance reviews;
- to request and review special audits or investigations as may be necessary;
- to consider other matters, as referred to the Committee by the Board; and
- to undertake appropriate and timely training relating to the functions and responsibilities of the Committee.

Membership and attendance at meetings

- Each member should be capable of making a valuable contribution to the Committee, based on his or her experience and qualifications;
- to allow for a flow of skills and talent through the Committee, membership of the Committee will be rotated. The rotation of members will be managed on a staggered basis to preserve an appropriate level of knowledge and experience on the Committee;
- the term of appointment of members shall be for a period of three years, which may be extended at the discretion of the Board;
- should the Chair not be present at a meeting, the members of the Committee will confer and appoint a member as acting Chair;
- the Chair of the Board and CSC employees cannot be members of the Committee although the Chief Executive Officer, Chief Operations Officer and Head of Finance are invited to attend each meeting in an ex-officio capacity;
- members of the Committee must be available to meet with APRA on request;
- the quorum of the Committee is two or a majority of the members, whichever is the greater; and
- the Committee may invite various parties to attend meetings and may have standing invitees.

Meetings of the Committee

- The Committee will meet at least quarterly;
- meetings may be held in person, by telephone or by video conference, or by any combination of these media;
- a member of the General Counsel team takes minutes of the proceedings of all Committee meetings;
- the minutes of each meeting are to be circulated to the Board; and
- the Committee may meet without the presence of CSC management, including the minute taker.

Management will:

- provide adequate resources to the Committee, including access to independent expertise as required; and
- ensure appropriate management personnel attend all meetings, at the discretion of the Committee.

Authority

The CSC Board authorises the Committee, within the scope of its responsibilities, to:

- perform activities within its terms of reference;
- seek any information it requires from any employee in order to perform its duties via the Chief Executive Officer or senior management; and
- obtain outside legal or other professional advice to assist in undertaking its responsibilities, in consultation with the Board.

Board reporting

The Committee will:

- record proceedings of each meeting;
- report to the Board on its deliberations;
- review the adequacy of these Board reports annually; and
- report annually to the Board on its performance.

Committee composition

The Committee will be composed of a minimum of three members and is chaired by a member appointed by the Board as set out in the *Board Charter*. Renewal of the Committee will occur as set out in the *Board Renewal Policy*.

Review of terms of reference

The Board will review the Committee's terms of reference at least annually.