

AUDIT COMMITTEE TERMS OF REFERENCE

1. PURPOSE: The Audit Committee (“the Committee”) is established by the Board to assist in the oversight of:

- Financial reporting
- Sustainability reporting (including Climate reporting)
- Commonwealth performance reporting requirements
- Systems of risk oversight and management via the Risk Management Declaration (overseen by the Risk Committee)
- Systems of Internal Control
- Regulatory and statutory reporting including all APRA and ASIC statutory reporting requirements and regulatory oversight
- Professional accounting and taxation requirements
- Internal and external audits, including the appointment of internal audit providers
- Valuation of investments, including structures, policies and processes to manage valuation risk.

2. RESPONSIBILITIES

This Committee must always have free and unfettered access to senior management, the internal auditor, the heads of all risk management functions, the external auditor (ANAO and any providers to the ANAO), and the defined benefit scheme actuaries.

The Audit Committee retains responsibility for forming an independent view on the appropriateness of CSC’s ‘*system of risk oversight and management*’ and ‘*system of internal control*’ under the Public Governance, Performance and Accountability (PGPA) Act and PGPA Rules. This responsibility will be informed by the Risk Management Declaration (RMD) evaluation work of the Risk Committee. Specifically, CSC’s Risk Committee is responsible for:

- oversight of CSC’s risk management frameworks and the RMD, which assesses, amongst other things, CSC’s internal control effectiveness and inputs to the RMD from Line 1, 2 and 3, particularly as they relate to testing, validation and assurance over CSC’s controls
- reporting back to the Audit Committee details of the evaluation work
- confirming to the Audit Committee and the Board that the RMD is appropriate for execution.

This is in addition to the Internal Audit work conducted in relation to CSC’s risk management framework. The Committee will have oversight of the following matters:

Financial Control, Reporting and Tax

Oversight of financial control and reporting matters including:

- Material changes to accounting policies and practices
- Compliance with all APRA and ASIC statutory reporting requirements
- Financial management policies
- Treasury operations (inclusive of the Biannual Investment Services Report)
- Compliance with accounting standards and professional accounting requirements, including areas of accounting judgement and estimates
- Compliance with sustainability reporting standards and Government climate-related policies
- CSC’s taxation framework, reporting and tax risk profile in accordance with CSC’s Tax Risk Management Policy, including approval of the Annual Tax Transparency Report
- Payment Times Reporting, including approval of the six-monthly Payment Times Reports
- Regulatory and statutory reporting and regulatory oversight

External Audit

Oversight of the statutorily appointed external auditor, ANAO, including:

- Review and approval of the terms of engagement (including fees) and external audit plan, including holding in camera discussions with the ANAO as required
- Consideration of audit findings and recommendations, including management responses
- Monitoring the effectiveness of the relationship with the ANAO as the statutorily appointed external auditor

- Enabling the external auditor to have unrestricted access to all information, data, reports, staff, and Committee members that they deem necessary to perform their audit functions
- Oversight of the external auditor's independence, including adherence to CSC's framework relating to the supply of non-audit services by the external auditor
- Internal audit findings, recommendations, management responses and actions and timely resolution of findings
- Any other function necessary to support the effective and efficient operation of the external audit function.

Oversight of 'System of Internal Control'

As part of the Committee's oversight of CSC's system of internal control, the Committee will review the following:

- Internal control reporting:
 - Reports from the Risk Committee on internal controls matters including but not limited to:
 - evaluations on the design and operating effectiveness of internal controls, significant control weaknesses, remediation actions and any emerging or systemic issues
 - Internal control reporting will focus on:
 - material controls and key control themes rather than routine operational activity
 - significant control deficiencies, incidents or breaches
 - management's remediation plans and progress
 - outcomes of internal and external assurance activities.

The Audit Committee will receive summary reporting sufficient to support its oversight role, without duplicating oversight or undertaking operational review work of the Risk Committee.

- Internal audit function including:
 - Annual appointment and ongoing review of the internal audit function and service provider
 - Review and approval of the internal audit plan
 - Review and approval of individual internal audit scopes (delegated to the Audit Chair out of session if required)
 - Conducting in-camera discussions with the auditors where appropriate to discuss any issues arising from internal audit work, including enabling unfettered access to management and information
 - Internal audit findings, recommendations, management responses and actions and timely resolution of findings
 - Oversight of the internal auditor's independence, including adherence to CSC's framework relating to the supply of non-audit services by the internal auditor
 - Any other function necessary to support the effective and efficient operation of the internal audit function.

Other Matters:

Oversight of:

- CSC's Modern Slavery Statement
- CSC's Recovery and Exit planning under CPS 190
- CSC's arrangements that enable staff to confidentially raise concerns relating to accounting, internal control, compliance, audit and related matters, and the processes to promote employee awareness of these arrangements and the appropriate handling of matters raised.

Valuation of Investments

Oversight of investment valuation matters, including:

- Monitoring CSC's valuations governance framework to promote robust risk-appropriate valuations across CSC's portfolio, including oversight of various unlisted assets/sectors
- Annual review of CSC's Valuation of Investments Policy, with any required changes recommended to the Board
- Valuations outcomes and the valuation governance process, including review of key valuation matters such as revaluation triggers, systematic valuation adjustments, special situations valuation adjustments and any out of cycle valuations (including valuation deep dives)
- Policies and practices related to the custody of assets held in CSC's schemes, including the monitoring of external custodians.

3. MEETING GOVERNANCE

Membership:

- Members of the Committee and the Chair of the Committee are appointed by the Board
- In the absence of the Committee Chair, the meeting may elect one of its members to chair the meeting
- The Committee will have at least four members
- A quorum of the Committee is formed when at least 70% of the Committee members are present
- The Chair of the Board cannot be a member of the Committee, consistent with the Public Governance, Performance and Accountability Rules.

Meetings:

- The Committee will meet at least 4 times a year or as otherwise required
- Meetings may be held in person, by telephone or by video conference, or by any combination of these media
- The Committee Chair may convene special meetings when necessary
- The Company Secretary or their delegate will act as Secretary to the meeting
- The Chief Executive Officer, Chief Operations Officer, Chief Financial Officer, Chief Risk and Compliance Officer and are standing attendees. A delegate of these officers may also attend Committee meetings subject, to prior approval of the Committee Chair.

4. AUTHORITY

The Committee is authorised by the Board, within the scope of its responsibilities, to:

- Do anything necessary for the performance of its functions
- Seek any information it requires from any internal or external party
- Obtain external professional advice as required, including to support and enhance the Committee's performance of its duties from time to time
- Request and/or permit the attendance of any external party as required.

5. REPORTING AND REVIEWING

- The Committee Chair or their delegate will provide updates (including minutes) to the Board at the following Board meeting
- The Committee will consult with other relevant Committees as necessary to make informed decisions and recommendations to the Board
- The Committee will conduct an annual self-assessment, generally as part of the Board performance assessment process, to assess discharge of its responsibilities under these Terms of Reference and the adequacy of its reporting to the Board, and will report its findings to the Board
- These Terms of Reference will be reviewed at least biennially or earlier if required, with recommendations for changes made to the Board for approval.