



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, internal auditors and external auditors¹;
- 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

The functions of the Committee include the following:

(a) 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.

(b) External Audit:

- 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 the external auditor, without management being present, to discuss any issues arising from external audit work;
- 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;

¹ CSC's External Auditor fulfills the functions of an 'RSE Auditor' as defined by Prudential Standard 510 - Governance

- reviewing the engagement of the RSE auditor at least annually, including making an assessment of whether the RSE auditor meets the Audit Independence test as required²; and
- any other related function that ensures the effective and efficient functioning of the external audit function.

(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;
- to respond to and monitor (where appropriate) internal audit findings and recommendations;
- to ensure that the internal auditor has free and unfettered access to all data, information, reports and staff that the internal auditor believes is necessary, including access to the Committee;
- any other related function that ensures the effective and efficient functioning of the internal audit function.

(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 material service providers of material business activities, including all related statutory reporting requirements;
- the oversight and management of recovery and exit planning; and
- CSC's taxation processes and CSC's tax risk profile in accordance with CSC's Tax Risk Management Policy.
- ~~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; and
- undertaking various functions as allocated to it by any relevant Board policies.

The Committee will also consider other matters referred to it by the Board from time to time.

Functions Delegated to the Risk Committee

The following Audit Committee functions required under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule), have been delegated to the CSC Risk Committee:

- Reviewing the appropriateness of CSC's system of risk oversight and management, which at CSC includes

² The Auditor Independence test is referred to in Prudential Standard SPS 510 at 29, and further set out at SPS 510.39 – 47.

- Oversight of fraud management
- Oversight of business continuity management
- Oversight of information and communications technology (ICT) risk management

The Risk Committee will regularly update the Audit Committee on the performance of these functions. Where a function is delegated to the Risk Committee, reporting in relation to this item may be provided directly to the Board (noting that all Audit Committee members are members of the Board and can provide oversight via such Board reporting). This avoids duplicative reporting when ensuring adherence to both PGPA and superannuation law requirements, which are not necessarily aligned.

Administration

Membership and attendance at meetings

- the Chair of the Committee is appointed by the Board;
- in the absence of the Chair, the meeting may elect one of its members to chair the meeting;
- the Committee will have at least three members;
- members of the Committee are appointed by the Board;
- where there are 3 or 4 members of the Committee, a quorum of the Committee is any two members of the Committee and where there are 5 or 6 members, it is any 3 members;
- the Committee may invite other people to attend Committee meetings, either internal or external, as it considers necessary;
- the Chair of the Board and CSC employees cannot be members of the Committee although the Chief Executive Officer, Chief Operating Officer and Head of Finance are invited to attend each meeting in an ex-officio capacity;
- an external advisor may be appointed to the Committee to support and enhance the Committee's performance of its duties from time to time; and
- renewal of the Committee will occur as set out in the *Board Renewal Policy*.

Meetings of the Committee

- the Committee will meet at least quarterly unless there is agreement of Committee members that a meeting is not necessary;
- 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 undertakes all secretariat functions for the Committee, including taking minutes of the proceedings of all Committee meetings; and
- the Committee may meet in camera without the presence of CSC management, including the minute-taker. Where this occurs, the Chair will provide a summary of the topics discussed to the minute-taker for capturing in the minutes.
- Once prepared, minutes of each Committee meeting will be provided to the Chair of the Committee for review and clearance.
- Cleared minutes will then be uploaded to the Board Portal and provided to the next meeting of the Committee for approval.

Authority

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

- do anything necessary for the performance of its functions, including approving policies and taking other actions and/or decisions as delegated to it from the Board;
- seek any information it requires from any internal or external party;
- obtain outside professional advice as required; and
- request and/or permit the attendance of any internal or external party as required.

Board reporting

The Committee will provide its minutes to the Board and the Chair of the Committee will update the Board on Committee activity at each Board meeting following a Committee meeting. On an annual basis, and generally as part of the annual Board performance assessment process, the Committee will review the adequacy of its reporting to the Board and consider whether the Committee has discharged its responsibilities under these Terms of Reference. This will also include reviewing the discharge of those responsibilities delegated to the Risk Committee.

Review of terms of reference

The Committee will review its Terms of Reference at least annually and provide the recommendations on any proposed changes to the Board for approval.