

AASB Audit Committee Charter¹

As at February 2009

The AASB Chairman has established the Audit Committee in compliance with section 46 of the *Financial Management and Accountability Act 1997* (FMA Act) and the Financial Management and Accountability Orders 2.1.1 and 2.1.2.

This charter sets out the committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

Objective

The objective of the committee is to provide independent assurance and assistance to the AASB Chairman on the AASB's risk, control and compliance framework, and its external accountability responsibilities.

Authority

The AASB Chairman authorises the committee, within the scope of its role and responsibilities, to:

- ▶ obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- ▶ discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- ▶ request the attendance of any employee at committee meetings; and
- ▶ obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the AASB's expense with the prior approval by the Chairman.

¹ In entities subject to the FMA Act, responsibility and accountability for the entity generally rests with the Chief Executive. The Chief Executive of the Office of the AASB is the AASB Chairman.

Composition and tenure

The committee will consist of three members appointed by the AASB Chairman.² At least one member of the committee will be an independent member.

The AASB Chairman will appoint the Chair of the committee.

Members will be appointed for an initial period not exceeding three years after which they may be eligible for extension or re-appointment.

The AASB Chairman, Technical Director and Director of Finance and Administration will not be members of the committee, but may attend meetings as observers as determined by the Chair of the Audit Committee.

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the AASB. At least one member of the committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

Roles and responsibilities

The committee has no executive powers, except those expressly provided by the Finance Minister's Orders or delegated to it by the AASB Chairman.

The committee is directly responsible and accountable to the AASB Chairman for the exercise of its responsibilities. In carrying out its responsibilities, the committee must at all times recognise that primary responsibility for management of the AASB rests with the AASB Chairman.

The responsibilities of the committee may be revised or expanded in consultation with, or as requested by, the AASB Chairman from time to time.

The committee's responsibilities are to:

Risk management

- ▶ review whether management has in place a current and comprehensive risk management framework, and associated policies and procedures for effective identification and management of the AASB's financial and business risks, including fraud;
- ▶ review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects (other than projects flowing from AASB technical roles and responsibilities) or undertakings;
- ▶ review the impact of the AASB's risk management framework on its control environment and insurance arrangements;

² The AASB Chairman may elect to stagger the rotation of members. If so, the Audit Committee may have a temporary increase in the number of members until the transition process has been completed.

- ▶ review whether a sound and effective approach has been followed in establishing the AASB's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically; and
- ▶ review the AASB's fraud control plan and satisfy itself the AASB has appropriate processes and systems in place to capture and effectively investigate fraud related information.

Control framework

- ▶ review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisors, is sound and effective;
- ▶ review whether management has in place relevant policies and procedures, including AASB Chief Executive Instructions or their equivalent, and that these are periodically reviewed and updated;
- ▶ review whether appropriate policies and procedures are in place for the management and exercise of delegations;
- ▶ consider how management identifies any required changes to the design or implementation of internal controls; and
- ▶ review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

External accountability

- ▶ review the financial statements and provide advice to the AASB Chairman (including whether appropriate action has been taken in response to audit recommendations and adjustments),³ and recommend their signing by the AASB Chairman;
- ▶ satisfy itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal controls;
- ▶ review the processes in place designed to ensure that financial information included in the AASB's annual report is consistent with the signed financial statements; and
- ▶ satisfy itself that the AASB has a performance management framework that is linked to organisational objectives and outcomes.

Legislative compliance

- ▶ determine whether management has appropriately considered legal and compliance risks as part of the AASB's risk assessment and management arrangements; and
- ▶ review the effectiveness of the system for monitoring the AASB's compliance with relevant laws, regulations and associated government policies.

³ The FMA Orders for FMA agencies require the Audit Committee to provide advice to the AASB Chairman on the preparation and review of financial statements of the Agency.

Internal audit⁴

- ▶ advise the AASB Chairman, where appropriate, on the appointment of relevant external expert resources to carry out testing of the AASB's risk management, control framework or legislative compliance; and
- ▶ agree the scope and reporting format for such an exercise; consider the findings of any report and monitor the implementation of any corrective actions.⁵

External audit

- ▶ act as a forum for communication between the AASB Chairman, senior management and external audit;
- ▶ provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided;
- ▶ review all external plans and reports in respect of planned or completed audits and monitor management's implementation of audit recommendations; and
- ▶ provide advice to the AASB Chairman on action taken on significant issues raised in relevant external audit reports and better practice guides.

Responsibilities of members

Members of the committee are expected to understand and observe the legal requirements of the FMA Act. Members are also expected to:

- ▶ contribute the time needed to study and understand the papers provided;
- ▶ apply good analytical skills, objectivity and good judgment; and
- ▶ express opinions frankly and ask questions on relevant issues.

Reporting

The committee will periodically, report to the AASB Chairman on its operation and activities during the year. The report should include:

- ▶ a summary of the work the committee performed to fully discharge its responsibilities during the preceding year;
- ▶ an overall summary of work done on AASB risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the AASB; and

⁴ It is recognised that the size and scope of the activities of the AASB are not extensive enough to warrant the appointment of an internal auditor. However, where external resources are engaged to assist the AASB to assess the effectiveness of its risk management, control framework or legislative compliance these responsibilities will be relevant.

⁵ The FMA Orders for FMA agencies require the Audit Committee to review all "audit" reports involving matters of concern to senior management of the Agency, including the identification and dissemination of good practices; and provide advice to the Chief Executive on action to be taken on matters of concern raised in a report of any "internal auditors" or in a report of the Auditor-General concerning the Agency.

- ▶ details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended.

The committee may, at any time, report to the AASB Chairman any other matter it deems of sufficient importance to do so. In addition, at any time an individual committee member may request a meeting with the AASB Chairman.

Administrative arrangements

Meetings

The committee will meet at least three times per year, including a meeting to be held to review the AASB's annual financial statements.

The Audit Committee Chair is required to call a meeting if requested to do so by the AASB Chairman, or another committee member.

A forward meeting plan, including meeting dates and agenda items, will be agreed by the committee each year. The forward meeting plan will cover all of the Audit Committee's responsibilities as detailed in this charter.

Attendance at meetings and quorums

A quorum will consist of a majority of committee members. Where there is more than one independent member on the committee, a quorum will include at least one independent member.

Meetings can be held in person, by telephone or by video conference.

The Director – Finance and Administration, Technical Director or other employees may be invited to attend committee meetings or participate for certain agenda items.

External audit representatives may be invited to attend meetings. The committee will meet separately with auditors at least once a year.

Secretariat

The AASB Chairman will appoint a person to provide secretariat support to the committee. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, after approval from the Chair, at least one week before the meeting, and ensure the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chair and circulated within two weeks of the meeting to each member and committee observers, as appropriate.

Conflict of interests

Once a year Audit Committee members will provide written declarations to the AASB Chairman stating they do not have any conflict of interests that would preclude them from being members of the committee.

Audit Committee members must declare any conflict of interests at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflict of interests should be appropriately minuted.

Where members or observers at Audit Committee meetings are deemed to have a real, or perceived, conflict of interests it may be appropriate that they are excused from committee deliberations on the issue where a conflict of interests exists.

Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their committee responsibilities.

Assessment arrangements

The Chair of the Audit Committee, in consultation with the AASB Chairman will initiate a review of the performance of the committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the AASB Chairman) with appropriate input sought from the AASB Chairman, external auditors, management and any other relevant stakeholders, as determined by the AASB Chairman.

Review of charter

At least once a year the committee will review this charter. This review will include consultation with the AASB Chairman.

Any substantive changes to the charter will be recommended by the committee and formally approved by the AASB Chairman.