

MODEL DIOCESAN AUDIT COMMITTEE CHARTER

(Prepared by the General Synod Financial Advisory Group, March 2008)

1 OBJECTIVES

- 1.1 The Audit Committee is appointed by Bishop-in-Council to provide independent assurance on the appropriateness of a Diocese's accountability and control framework, which, over time, is expected to enhance the quality and consistency of financial information provided to and issued by Bishop-in-Council.
- 1.2 The Audit Committee should primarily consider "big picture" strategic implications on the Diocese in undertaking its responsibilities.
- 1.3 The Audit Committee's role is to discharge its responsibilities to the Diocese as a whole and, as appropriate, diocesan organisations, by oversight of the following:
 - systems that ensure compliance with legal requirements and Diocesan policy relating to financial disclosure;
 - the adequacy of internal controls and risk management procedures,
 - the scope and performance of internal audit;
 - the scope and performance of External Audit;
 - financial reporting to and by the Bishop-in-Council; and
 - other matters delegated by Bishop-in-Council from time to time.

2 MEMBERSHIP

- 2.1 The Audit Committee will be appointed by Bishop-in-Council and will comprise not less than three, and up to five members, all of whom will be non-executive members. At least one member will be a member of Bishop-in-Council.
- 2.2 None of the Bishop; Vicar General; Bishop's Registrar; Diocesan Business Manager; Diocesan Treasurer; Manager, Internal Audit; or those in a similar position in Diocesan organisations will be members of the Audit Committee.
- 2.3 Bishop-in-Council shall appoint one of the Audit Committee members to serve as the Audit Committee Chairman.
- 2.4 At least one member of the Audit Committee shall have expertise in financial reporting.
- 2.5 At least one member shall have knowledge of the legal framework of the Anglican Church of Australia, particularly the Diocese and its organisations.
- 2.6 The Diocese will provide a suitable Secretary to the Audit Committee.
- 2.7 Each member of the Audit Committee should be capable of making a valuable contribution to the Committee. It is expected that each member will obtain an understanding of the detailed responsibilities of the Committee and of the operations and business-related risks of the Diocese and its organisations.

3 ATTENDANCE AT MEETINGS

- 3.1 The quorum for any Committee meeting shall be two-thirds of the members.
- 3.2 The Committee may meet as necessary to meet its obligations under this Charter, but in any event not less than three times per annum. The Committee may convene special meetings as required. Internal Audit or the External Auditor may request meetings as they consider necessary.
- 3.3 The Audit Committee may invite such other persons to its meeting, as it deems necessary however, Audit Committee members should not have a substitute representative attend on their behalf. The Manager, Internal Audit and the External Auditor should be invited to attend Audit Committee meetings.

3.4 The Secretary shall provide the Committee with papers in relation to agenda items at least three working days prior to the meeting. The Secretary shall attend all meetings to ensure that a record of meetings is maintained and, after approval of the Chairman of the Audit Committee, is circulated promptly to members, Bishop-in Council, the External Auditor, Internal Audit, and relevant Diocesan organisations as appropriate.

4 RIGHT TO ACCESS AND INFORMATION

4.1 Bishop-in-Council authorises the Audit Committee, within the scope of its responsibilities, to:

- seek any information it requires from:
 - a) any employee (and all employees are directed to co-operate with any request made by the Audit Committee); and
 - b) external parties;
- obtain outside legal or other professional advice, subject to the appropriate delegations; and
- request the attendance of Diocesan officers at meetings as appropriate.

5 INDEPENDENCE

5.1 The Audit Committee has no executive powers in relation to the operations of a Diocese. It functions in an oversight and review role.

5.2 The primary responsibility for financial and other reporting, internal control and compliance with legislation, regulations and ethics within a Diocese rests with executive management.

5.3 The Audit Committee is directly accountable to Bishop-in-Council.

5.4 Members with real or perceived conflicts of interests will notify the Audit Committee as soon as these issues become apparent. Any member with an actual or perceived conflict of interest will excuse themselves from discussions at the point of decision.

6 DUTIES AND RESPONSIBILITIES

6.1 *Internal Control*

With respect to the internal control environment, the Committee shall:

- 6.1.1 evaluate whether management have maintained a sound environment for financial administration, which inter alia will include a competent financial officer, an effective Diocesan finance committee and suitably experienced independent auditors who understand their role. Where this environment does not exist, the Audit Committee should encourage change towards best practices.
- 6.1.2 evaluate whether management is providing the appropriate control environment by communicating the importance of internal control, and management of risk, including fraud risk, and ensuring that all employees have an understanding of their roles and responsibilities. This includes the oversight of controls over the engagement and conduct of external parties including contractors, advisers and outsourcing arrangements.
- 6.1.3 review management's assessment of the adequacy of internal control processes and systems and plans for business continuity and approve internal control policies and procedures.
- 6.1.4 confirm that internal control recommendations made by Internal Audit and the External Auditor have been implemented by management.
- 6.1.5 evaluate whether management have implemented appropriate systems to manage the risk of fraud, defalcation or theft.

6.2 ***Financial Reporting***

General

With respect to the control of reporting of financial information and the appreciation of risk management policies the Committee shall:

- 6.2.1 satisfy itself, in consultation with Internal Audit and the External Auditor, that management is effectively managing the current areas of financial and business risk.
- 6.2.2 consider referring to Internal Audit and the External Auditor any fraud, illegal acts, deficiencies in internal control or other similar issues that are brought to the Committees attention.
- 6.2.3 ensure management have considered significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 6.2.4 consider any legal matters brought to their attention that could significantly impact the financial statements.

Annual Financial Statements

- 6.2.5 review the annual financial statements and determine whether they are consistent with the information known to members. The Committee shall assess whether the financial statements reflect appropriate accounting principles and the disclosure of appropriate financial performance measures.
- 6.2.6 focus on judgmental areas, for example those involving valuation of assets and liabilities, guarantees, environmental liabilities, litigation reserves, commitments, contingencies and complex or unusual transactions.
- 6.2.7 meet with management and the External Auditor to review the financial statements and the results of the audit.
- 6.2.8 review the annual report before its release and consider whether the information is reasonably consistent with the Audit Committee's knowledge of the Diocese and its operations.

6.3 ***Internal Audit***

With respect to the oversight of the Internal Audit function the Committee shall:

- 6.3.1 review and approve the plans, activities and organisational structure of the Internal Audit function and ensure that it has no unjustified restrictions or limitations.
- 6.3.2 review the qualifications of Internal Audit personnel and concur with the appointment, replacement, reassignment or dismissal of the Internal Audit Manager. The Committee shall review and approve the performance agreement of the Internal Audit Manager.
- 6.3.3 consider the effectiveness of the Internal Audit function and provide feedback on the performance of the Internal Audit Manager, both to the Internal Audit Manager and to Bishop-in-Council.
- 6.3.4 meet separately with the Internal Audit Manager to discuss any matters that the Audit Committee or Internal Audit believes should be discussed privately. The Committee shall ensure that significant findings and recommendations made by Internal Audit are discussed by the Audit Committee on a timely basis.
- 6.3.5 ensure that management responds to recommendations by Internal Audit.

6.4 *External Audit*

With respect to the oversight of the External Audit function, the Committee shall:

- 6.4.1 review the External Auditor's proposed audit scope and approach and ensure no unjustified restrictions or limitations have been made.
- 6.4.2 review the performance of the External Auditor in its dealings with the Diocese.
- 6.4.3 monitor the independence of the External Auditor, including the review and approval in advance of any non-audit services to be contracted by the Diocese from the External Auditor.
- 6.4.4 make recommendations to Bishop-in-Council regarding the appointment and reappointment of the External Auditor.
- 6.4.5 meet separately with the External Auditor to discuss any matters that the Audit Committee or auditors believe should be discussed privately. The Committee shall ensure that significant findings and recommendations made by the External Auditor are received and discussed on a timely basis.
- 6.4.6 ensure that management responds to recommendations made by the External Auditor.

6.5 *Compliance with Legislation and Regulations*

With respect to the oversight of the Compliance monitoring system, the Committee shall:

- 6.5.1 review the effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation (including disciplinary action) of any fraudulent acts or non-compliance.
- 6.5.2 obtain regular updates from management, with legal advice as necessary, regarding compliance matters.
- 6.5.3 be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements and annual report.

6.6 ***Reporting Responsibilities***

With respect to the Committee's reporting obligations the Committee shall:

- 6.6.1 regularly report to the Bishop-in-Council on Audit Committee activities and make appropriate recommendations. In doing so, the Committee shall ensure that Bishop-in-Council is aware of matters that may significantly impact the financial condition or affairs of the Diocese.
- 6.6.2 provide an open avenue of communication between Bishop-in-Council, Diocesan senior executive staff, Internal Audit, and the External Auditor. This includes, but is not limited to, regular de-briefs of Audit Committee activity with the Bishop, occasional presentations by the Audit Committee to Bishop-in-Council, and a standing invitation to the External Auditor to attend Audit Committee meetings.
- 6.6.3 evaluate the Audit Committee's own performance on a regular basis and report to Bishop-in-Council at least annually on the Audit Committee's achievements against its proposed outcomes.