

4001 Audit Committee Charter V11.0

Authorisations	
Approval Authority:	Board
Recommender:	Audit Committee
Maintenance Responsibility:	Chief Internal Auditor

Review	
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1. Purpose

- [1] The purpose of this Charter is to specify the authority delegated to the Audit Committee by the Board of the Teachers Mutual Bank Limited (TMBL). The Audit Committee provides assistance to the Board in fulfilling its responsibilities and will endeavour to:
- (a) Assist the Board to provide an objective non-executive review of the effectiveness of TMBL's reporting and risk management framework.
 - (b) Provide reasonable assurance to the Board that core business goals and objectives are being achieved in an effective and efficient manner, within an appropriate framework of governance, risk management and internal control;
 - (c) Oversee the integrity and quality of TMBL's financial reports and statements, including financial information provided to regulators and members;
 - (d) Monitor the adequacy, integrity and effectiveness of the internal control environment and risk management process;
 - (e) Monitor the effectiveness of the internal and external audit functions; and
 - (f) Ensure TMBL's values, ethics and beliefs are in accordance with and conducive to a corporate culture of information sharing, continuous and constructive challenging and effective leadership.

2. Authority

- [2] The Audit Committee may, within the scope of its responsibilities:
- (a) Perform activities and make recommendations to the Board consistent with these terms of reference;
 - (b) Engage independent counsel and other advisers, as it considers necessary, to carry out its duties at TMBL's expense; and
 - (c) Have unrestricted access to the executive, management, employees, internal audit and external audit for all information necessary for the performance of its functions.
 - (d) The Audit Committee has neither a management role, nor executive powers with regard to its recommendations and does not relieve the full Board of its responsibilities for these matters.

3. Composition of the Committee

- [3] The Audit Committee will consist of:
- (a) At least four members, each of whom will be appointed or removed by the Board; and
 - (b) A Secretary.
- [4] All members of the Audit Committee must be non-executive Directors.
- [5] The Chair of the Board may be a member of the Audit Committee, but may not chair the Committee.
- [6] The Audit Committee and the Risk and Compliance Committee should not be chaired by the same director.
- [7] The Audit Committee will appoint a Secretary who, together with the Chair, will be responsible for the co-ordination of meetings, notices, minutes and general Audit Committee governance.
- [8] The Board appoints the Chair of the Committee. The appointee:
- (a) Must be an independent director;
 - (b) Must not be the Chair of the Board; and
 - (c) Must have relevant professional level experience and qualifications.
- [9] The Committee, to enable the effective discharge of its responsibilities in this Charter, must be comprised of members with an appropriate range of technical skills and qualifications.
- [10] At least annually, the Audit Committee will review its own performance by self-assessment. External specialist involvement in this review may be utilised within Board and budgetary approvals.
- [11] In the event there is equal voting cast at Audit Committee, the decision will be escalated to the Board for resolution.

3.1. Role of the Chair

- [12] Promote effective communications between the Audit Committee and the Board, CEO, CFO, CIA, other senior management and the external auditor.
- [13] Ensure Audit Committee meetings run smoothly, that the views of all Audit Committee members are heard, that adequate time is allowed for discussion of each issue and that the agenda and meeting papers properly reflect proceedings.
- [14] Develop the agenda for each meeting on the basis of the annual program and any other matters deemed to be relevant to the particular meeting.

4. Responsibilities of the Committee

4.1. Reporting

[15] The responsibilities of the Audit Committee must include oversight of:

- (a) all APRA statutory reporting requirements
- (b) other financial reporting requirements;
 - (i) review financial reports with management and with the external auditors as necessary prior to their submission to the Board;
 - (ii) review the reports of the Chief Financial Officer, together with all aspects of any qualified audit report;
 - (iii) review management representation letters;
 - (iv) The Audit Committee should review processes for financial reporting to the Board for completeness and accuracy of information provided, including those of budgetary control.
- (c) professional accounting requirements and the appropriateness of accounting policies.
- (d) it is the responsibility of the Audit Committee to oversee the preparation and sign-off of the Annual Financial Statements (as recommended to the Board for approval).

4.2. Risk Management Framework

[16] In conjunction with the Risk and Compliance Committee, the Audit Committee must oversee an annual internal audit that covers compliance with, and the effectiveness of, the risk management framework in accordance with the requirements of CPS 220.

[17] In conjunction with the Risk and Compliance Committee, the Audit Committee must oversee an internal audit that includes a review of the design and operating effectiveness of information security controls in accordance with the requirements of CPS 234.

4.3. Audit Services

[18] The Audit Committee is required to provide prior endorsement to the Board for the appointment or removal of TMBL's external auditor and Chief Internal Auditor. If the external auditor or Chief Internal Auditor is removed from their position, the reasons for removal must be discussed with APRA as soon as practicable, and no more than 10 business days, after the Committee's endorsement is agreed upon.

[19] The Audit Committee must ensure the adequacy and independence of both the internal and external audit functions.

4.4. External Audit

- [20] Review the engagement of the external auditor annually, particularly in respect of their independence, including the confirmation of the auditor's fit & proper status, and make recommendations to the Board accordingly.
- [21] Approve the annual plans of the external auditor and monitor their implementation.
- [22] Monitor the activities and performance of the external auditor.
- [23] Discuss with the external auditor matters relating to the conduct of the audit, including any difficulties encountered, any restriction on the scope of activities or access to information, significant disagreements with management and the adequacy of management responses.
- [24] Liaise with the external auditor as necessary.
- [25] Review any recommendations made by the external auditor in respect of internal controls and management's response to the recommendations.
- [26] The Audit Committee must provide the external auditors of TMBL, as relevant, with the opportunity to raise matters directly with the Board.
- [27] The Audit Committee has responsibility for approval of non-audit services being considered by TMBL.
- [28] The Audit Committee must ensure the auditor meets the Audit Independence tests set out in *APES 110 Code of Ethics for Professional Accountants*, as well as the additional auditor independence requirements set out in the Prudential Standard.
- [29] Formally consider placing external audit services to tender at least once every five years.

4.5. Internal Audit

- [30] TMBL must have an independent and adequately resourced Internal Audit function.
- [31] The Audit Committee must:
- a) Review and approve the Internal Audit Charter
 - b) Monitor the establishment and maintenance of an appropriate independent Internal Audit framework aligned with relevant IIA standards;
 - c) Review the Internal Audit plan, including scope and materiality level of the audit plan, ensuring it addresses all key areas of risks, and recommend approval to the Board; and
 - d) Receive summaries of significant findings and recommendations made by Internal Audit and ensure management's response is acted upon completely and in a timely manner.
 - e) Maintain Internal Audit's independence by being primarily responsible for the appointment/termination of the Chief Internal Auditor, with input from the Chief Executive Officer.

- f) The objectives of the Internal Audit function must include evaluation of the adequacy and effectiveness of TMBL's financial and risk management framework.
- g) To fulfil its functions, the Internal Auditor must have:
 - (i) Unfettered access to all information necessary for the performance of its functions; and
 - (ii) A reporting line and unfettered access to the Audit Committee.

4.6. APRA

[32] Members of the Audit Committee must be available to meet with APRA on request.

4.7. Prudential Reporting, Tax & Superannuation

[33] The Audit Committee will review applicable policies and practices including any material decisions relating to statutory and compliance obligations.

- a) The Audit Committee considers and actions taxation compliance matters and emerging legislative requirements.
- b) In conjunction with the Risk & Compliance Committee, the Audit Committee oversees a periodic taxation control audit that covers compliance with, and the effectiveness of, the tax risk management framework in accordance with the relevant statutory requirements.
- c) The Audit Committee will receive details of all required lodgements of returns for each of the areas of Prudential Returns, Taxation Returns and Superannuation.
- d) The Audit Committee will receive updates from management providing details of how material decisions are made that have an impact on the calculations made in respect to generating values used within the abovementioned returns, together with appropriate supporting information to justify those decisions.

4.8. Whistle-blower Policy

[34] The Audit Committee must monitor the policy and ensure the employees of TMBL are aware of the document. The Committee must seek assurance that staff can confidentially submit information about accounting, internal control, compliance, possible fraud, audit and other matters, and for dealing with matters raised by employees under this policy and make recommendations to the Board where applicable.

4.9. Regulatory Bodies

[35] The Audit Committee will monitor reports from regulators and management's implementation of actions as approved by the Board.

4.10. Other Independent Reviews

- [36] The Audit Committee will monitor reports from independent bodies and management's implementation of actions as approved by the Board.

5. Reporting to the Board

- [37] It is recommended that the Chair of the Audit Committee (or a person nominated by the Chair of the Audit Committee for that purpose):
- (a) Report to the Board on any matters relevant to the Committee's duties and responsibilities; and
 - (b) Attend the Board meeting at which TMBL's financial statements are being considered for adoption.

6. Meetings and Committee Process

- (a) The Audit Committee shall meet as frequently as required but not less than four times a year.
- (b) Any Audit Committee member or the Secretary of the Audit Committee may call a meeting of the Committee.

6.1. Notice

- [38] A notice of each meeting confirming the date, time, venue and agenda, together with the relevant supporting papers for the items to be discussed, shall be distributed to each member of the Audit Committee at least four working days prior to the date of the meeting.

6.2. Agenda and Minutes

- (a) The Agenda will include, at least on an annual basis, formal opportunities for the Audit Committee to meet independently with management, the external auditors and the Internal Auditors.
- (b) Minutes of proceedings and resolutions of the Audit Committee shall be kept.
- (c) Minutes shall be distributed to all Audit Committee members and the Chair of the Board, after the preliminary approval has been given by the Audit Committee Chair.
- (d) Minutes, agenda and supporting papers will be made available to every Director providing no conflict of interest and/or no confidentiality requirements exist.

6.3. Attendance

- (a) A quorum will comprise of any two independent non-executive Director Audit Committee members.
- (b) The Audit Committee may extend an invitation to any person to attend all, or part of any meeting of the Audit Committee which it considers appropriate. In particular, the Audit Committee may meet with:
- The External Auditors
 - Chief Executive Officer
 - Chief Financial Officer (CFO)
 - Chief Risk Officer (CRO)
 - Chief Internal Auditor (CIA)
 - External advisers
 - Any executive or employee
 - Any Director.

7. Review of the Charter

- (a) The Audit Committee will review its Charter annually and make recommendations to the Board as to any changes it considers should be made.
- (b) The Charter may be amended by resolution of the Board.
- (c) This Charter will be available on TMBL's website, with the key features published in the annual report when deemed appropriate.