



**The Institute of
Internal Auditors**
Australia

Audit Committee Charter – ***organisation with board***

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Contents

1.	Introduction	- 3 -
2.	Mandate	- 3 -
3.	Purpose	- 3 -
4.	Role	- 3 -
5.	Authority	- 4 -
6.	Committee Composition	- 4 -
7.	Terms of Appointment	- 5 -
8.	Quorum	- 5 -
9.	Operational Principles	- 5 -
10.	Operational Procedures	- 6 -
11.	Committee Reporting	- 7 -
12.	Evaluation of Performance	- 7 -
13.	Review of the Charter	- 7 -
14.	Approval of the Charter	- 7 -

1. Introduction

The Audit Committee (Committee) is a sub-committee of the Board of Directors (Board) <or “Accountable Authority (Authority)”> and plays an important role providing oversight of governance, risk management, compliance and control practices. The Committee also serves to provide confidence in the integrity of practices to enable fulfillment of the purpose of the <organisation name> and achievement of its strategic objectives.

This Charter provides the framework for performance of Committee activities.

2. Mandate

The Committee has been established by the Board <in accordance with regulatory requirement> and has the authority of the Board to carry out the activities prescribed in this Charter.

3. Purpose

The purpose of the Committee is to provide structured systematic oversight of governance, risk management, compliance, control and assurance practices across <organisation name>. This applies to both financial and non-financial activities. The Committee assists the Board by providing advice and guidance on the adequacy of governance and assurance.

Committee success is achieved when the organisation is recognised as having a ‘best in class’ governance and assurance environment.

4. Role

The Committee supports the Board by:

- Reviewing effectiveness of governance, risk management, compliance and control.
- Reviewing external reporting (including the financial statements and performance reporting).
- Promoting ethical behaviour.
- Promoting improved economy, efficiency and effectiveness.
- Reviewing reliability of management information.
- Monitoring, evaluating and enhancing internal audit performance.
- Monitoring the independence and effectiveness of external audit.
- Reviewing effectiveness of fraud control measures.
- Monitoring compliance with laws, regulations, standards and good practice.

This requires Committee monitoring and oversight to encompass the broad range of functions and activities related to governance and assurance including:

- Governance structures and processes.
- Risk management structures and processes including the management of environmental, social and governance (ESG) risks.
- Control activities.
- Financial management, accounting policies, financial statements and annual reporting.
- External audit.
- Internal audit.
- Compliance.
- Implementation of audit and other review recommendations.
- Ethics and organisation culture.

- External accountability.
- Fraud and corruption control.
- Business continuity management including ICT disaster recovery arrangements.
- Security including physical security, cybersecurity and ICT security.
- Legal issues.
- Complaint management.
- Organisation performance and management reporting.
- Work health safety.
- Environmental management.
- Major projects and business initiatives.
- Regulator activities.
- Response to significant government enquiries such as Royal Commissions.

5. Authority

The authority of the Committee to perform its role is established within the scope of this Charter. In discharging its responsibilities, the Committee shall have:

- No executive powers, delegated financial responsibility or management functions¹.
- Unrestricted access to management, employees and relevant information it considers necessary to effectively discharge its duties.
- Unrestricted access to records, data and reports, subject to any legal information protection or privacy requirements.
- Authority to discuss any matters with the external auditor or other external parties, subject to confidentiality considerations.
- The right to require attendance of management at Committee meetings.
- The right to obtain external legal or other professional advice, subject to prior approval of the Board.

The Committee may engage independent advisers to assist with its duties if agreed by the Board.

6. Committee Composition

The Committee is comprised of individuals who are independent of organisational management. Such individuals shall be independent, non-executive Board Members or persons external to the organisation. The composition of the committee is:

- A Chair of the Committee.
- A Deputy Chair of the Committee.
- A minimum of <number> and a maximum of <number> Members

¹ If the Audit Committee is constituted as a subcommittee of the board, the board may choose to delegate executive functions to the Committee. Typically, these might include:

- Approval of the internal audit charter.
- Approval of the program of internal audits
- Approval of the appointment/termination of the chief audit executive
- Approval of chief audit executive performance assessment and/or remuneration.

In the absence of such a delegation, the role of the Audit Committee is ordinarily to provide relevant advice to the board.

The chief audit executive is required to attend all meetings of the Committee except those meetings consisting of the Committee meeting without observers or advisors (closed meetings) or when the Chair specifically requests that the chief audit executive not attend. The chief audit executive is not a member of the Committee.

The Committee is supported by non-voting advisers / observers comprising <job titles> and a representative from the external auditor. Such individuals are not Members of the Committee.

The Board Chair and Board Members not serving on the Committee may attend Committee meetings as observers and to contribute insights to assist Committee deliberations. They may not attend closed sessions of the Committee unless specifically invited by the Committee Chair.

The Committee Chair may require the attendance of management representatives, staff and contractors at meetings as necessary to address matters on the agenda.

The Committee is a skill-based governance committee. Membership will be structured to ensure collective competence in governance, assurance, audit, finance, technology, legislation, risk management, compliance and control plus any special attributes relevant to the <organisation name> and its industry. The range of skills included shall ensure that the Committee is not critically dependent upon the specialised knowledge of any individual.

Members of the Committee should have senior management experience in a relevant environment.

As the responsibilities of the Committee evolve in response to regulatory, economic and reporting developments, Member competencies and the overall balance of skills on the Committee will be periodically evaluated to respond to emerging needs.

7. Terms of Appointment

Committee appointments will be made by the Board.

The Chair shall be appointed for a term of three years. Member appointments shall ordinarily be for a term of three years, with appointments staggered to enable continuity of knowledge.

The Chair and Members shall be eligible for reappointment by the Board for a term of three years, subject to satisfactory performance. The total period of continuous service of the Chair and Members shall not be more than <number> years.

The Board Chair cannot also serve as Chair or as a Member of the Committee.

Committee membership will be periodically reviewed in line with the policy for Board and sub-committee appointments.

Membership of the Committee comprises personal membership and proxies are not permitted.

8. Quorum

The quorum for the Committee shall be a majority of Members at the relevant time.

9. Operational Principles

Committee Values

The Committee Members will conduct themselves in accordance with the <organisation name> Code of Conduct.

Communications

All communication with management and staff, as well as with any advisers, will be direct, open and complete. The Chairperson will be the Committee link to the Board and will report on Committee activity at the first Board meeting that follows a meeting of the Committee.

It is important for the Committee Chair and Members to develop, establish and maintain an effective working relationship with the Board and executive management.

Any concerns or differences should be resolved by way of open negotiation, with the final arbiter the Board.

Induction

The Committee Secretariat will provide new Committee Members with information and briefings on the work of the Committee to assist them meet their responsibilities. The Committee Secretariat will also ensure that new members meet with key staff such as the Chief Executive Officer, the chief audit executive, the chief risk officer and the representative of the external auditor.

Preparation and Attendance

Committee Members have an obligation to prepare for and actively participate in Committee meetings. This requires Members to contribute the time needed to study and understand the papers provided for meetings. Members are expected to apply good analytical skills, objectivity and judgment, express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.

Conflict of Interest

It is the responsibility of a Committee Member to disclose any actual, potential or perceived conflict of interest to the Chair who shall decide whether a Committee Member should be excused from Committee deliberations for a particular matter. If necessary, the final arbiter will be the Board.

A register of interests will be maintained for the Audit Committee Chair and Members to demonstrate transparency and as a safeguard against conflict of interest.

10. Operational Procedures

Meetings

The Committee shall meet at least four times each financial year and more frequently if the Board deems necessary. A special meeting may be convened to review the financial statements and external audit management letter and opinion.

Meetings may be held in person, by teleconference or by videoconference.

Committee Work Plan

A forward work plan including meeting dates and agenda items will be agreed by the Committee at the beginning of each financial year.

Private Sessions

The Committee will meet privately (in closed session) without management present with:

- Chief Executive Officer – at least twice each financial year.

- Individual Executive Management – on a cyclical basis.
- External Auditor – at least once each financial year.
- Chief Audit Executive – at least twice each financial year.
- Chief Risk Officer – at least twice each financial year.
- Chief Compliance Officer – at least twice each financial year.
- Regulators – as required.

Secretariat Services

<area of organisation> will provide secretariat services for the Committee. The meeting agenda and supporting papers will be submitted for approval to the Chair and distributed by the secretariat at least five working days before each meeting. Meeting minutes will be prepared, submitted to the Chair for confirmation, and distributed to all attendees within 10 working days of each meeting.

11. Committee Reporting

The Committee through the Chair reports directly to the Board.

The Committee must ensure it maintains a direct functional reporting line for the Chief Audit Executive.

The Chair will meet with the Board on Committee outcomes after each meeting and with the Corporate Executive as the Chair deems appropriate or as otherwise requested by the Board.

The Committee through the Chair may report to the Board at any time on any matters it deems of sufficient importance. An individual Committee Member may request a meeting with the Board should the Member consider it warranted.

The Committee will provide the Board with an annual report at conclusion of each financial year. The report will address Committee operations, activities, outcomes and achievements, together with focus areas for the coming financial year.

12. Evaluation of Performance

Committee performance will be evaluated, with results reported to the Board.

Committee performance will be evaluated through:

- Annual self-assessment by the Committee.
- Independent review every <number> years.

13. Review of the Charter

The Committee will review this Charter each financial year to identify potential improvements.

14. Approval of the Charter

Endorsed:

Audit Committee

<resolution number>

<date>

Approved:

Board of Directors

<resolution number>

<date>