



Administration of Norfolk Island

Audit Committee Charter

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Administration of Norfolk Island

Audit Committee Charter

Control Sheet

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Administration of Norfolk Island

Audit Committee Charter

The Chief Executive Officer of the Administration of Norfolk Island has established the Audit Committee in compliance with section 35 of the Commonwealth Finance Minister's (Norfolk Island) Orders 2011.

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

1. Objective

The committee shall pursue the objective of providing independent assurance and assistance to the Chief Executive Officer of the Administration of Norfolk Island (and the Director, Norfolk Island Hospital Enterprise and General Manager, Norfolk Island Government Tourist Bureau) on the Administration's (and Territory Authorities) risk, control and compliance framework, and its external accountability responsibilities.

2. Authority

To perform its role, the committee has been authorised by the Chief Executive to:

- Obtain any information it needs from any Administration employee and/or external party (subject to their legal obligation to protect information);
- Discuss matters with external parties (including the external auditor), subject to any overriding legal obligations on confidentiality;
- Request the attendance of any Administration employee at committee meetings; and
- Recommend that approval be given to expend money to engage independent professional experts, if the committee considers that to be necessary to allow the proper performance of its role.

3. Composition and Tenure

The composition of the committee will consist of the following:

- At least four and not more than six members appointed by the Chief Executive Officer;
- At least one member independent of the Administration of Norfolk Island, the Norfolk Island Hospital Enterprise and the Norfolk Island Government Tourist Bureau;
- At least one employee of the Administration of Norfolk Island;
- One representative of the Norfolk Island Hospital Enterprise; and
- One representative of the Norfolk Island Government Tourist Bureau.

The Chief Executive Officer will appoint the Chair of the Committee.

Members will be appointed for a minimum of two years and maximum of three years, upon which they will be eligible for re-appointment.

The Internal Audit Manager, Finance Manager and Commonwealth Finance Officer will not be members of the committee, but will attend committee meetings as observers. In addition, officials from the Australian National Audit Office may attend committee meetings, by invitation or otherwise, as observers

The committee members, taken collectively, will have a broad range of skills and experiences relevant to the operations of the Administration of Norfolk Island. 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.

4. Functions and Responsibilities

The committee has no executive powers, except those expressly provided by the Commonwealth Finance Minister's (Norfolk Island) Orders 2011 or delegated to it by the Chief Executive Officer.

The committee is directly responsible and accountable to the Chief Executive Officer 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 Administration rests with the Chief Executive Officer.

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

The core (i.e. minimum) functions of the committee are to:

Risk Management

- Review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of the Administration's financial and business risks, including fraud;
- Review the soundness and effectiveness of the Administration's approach in developing strategic risk management plans for all of its operations;
- Review the impact of the Administration's risk management framework on its control environment and insurance arrangements;
- Monitor whether the Administration's business continuity and disaster recovery plans are tested periodically, and review the results of such tests; and
- Satisfy itself that the Administration has appropriate processes and systems in place to capture and effectively investigate fraud related information.

Control Framework

- Review the soundness and effectiveness of the Administration's approach in maintaining its internal control environment, including over external parties such as consultants and advisors;
- Review whether the Administration has appropriate operating policies and procedures, including Chief Executive Instructions, and that these are regularly reviewed and updated;
- Monitor the Administration's processes by which management assures itself that its policies and procedures are complied with;
- Review whether the Administration has appropriate policies for the management and exercise of delegations and authorisation;
- Monitor how the Administration identifies and requires changes to the design or implementation of internal controls and how it promulgates good practice; and
- Review whether the Administration's management has taken steps to embed a culture committed to ethical and lawful behaviour.

External Accountability

- Review the financial statements and provide advice to the Chief Executive Officer on the quality and compliance, and recommend their signing by the Minister for Finance and Chief Executive Officer;
- Satisfy itself, as far as practical, on the veracity of the Chief Executive Officer's assertions and assurances contained in the annual Management Representation Letter to the Australian National Audit Office;
- Review the processes in place designed to ensure that financial information included in the Administration's annual report is consistent with the signed financial statements;
- Monitor developments in the regulatory, accounting and reporting frameworks and their consequences on the Administration's financial reporting responsibilities; and
- Monitor the Administration's performance in reviewing and implementing, where appropriate relevant Legislative Assembly Committee reports and recommendations.

Legislative Compliance

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

Internal Audit

- Act as a forum for communication between the Chief Executive Officer, executive management and internal and external audit;
- Review the internal audit coverage and annual work plan, ensure the plan is based on the Administration's risk management plan, and recommend approval of the plan by the Chief Executive Officer;

- Advise the Chief Executive Officer on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan;
- Oversee the coordination of audit programs conducted by internal and external audit and other review functions;
- Review all audit reports and provide advice to the Chief Executive Officer on any significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice;
- Monitor management's implementation of internal and external audit recommendations;
- Review the internal audit charter to ensure appropriate organizational structures, authority, access and reporting arrangements are in place; and
- Periodically review the performance of internal audit.

External Audit

- Act as a forum for communication between the Chief Executive Officer, executive management and internal 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 audit plans and reports in respect of planned or completed audits and monitor management's implementation of audit recommendations; and
- Provide advice to the Chief Executive Officer on action taken on significant issues raised in relevant external audit reports.

Further assistance to the Chief Executive Officer

- Identify and recommend to the Chief Executive Officer, for consideration, any special projects, investigations, or measures deemed necessary; and
- Undertake any related tasks, consistent with the Committee's role and objective that the Chief Executive Officer requires.

5. Responsibilities of Members

Members of the committee are expected to understand and observe the legal requirements of the *Public Moneys Act 1979* and the Commonwealth Finance Minister's (Norfolk Island) Orders 2011. Members are also expected to:

- Contribute the time needed to study and understand the papers provided;
- Apply good analytical skills, objectivity and good judgement; and
- Express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

6. Reporting

The Committee will regularly report to the Chief Executive Officer 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;

- A summary of the Administration’s progress in addressing the findings and recommendations made in internal, external audits and Legislative Assembly Committee reports;
- An overall assessment of the Administration’s risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the Administration; and
- 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 Chief Executive Officer 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 Chief Executive Officer.

7. Administrative Arrangements

Meetings

The committee shall hold meetings at such time and places as are necessary and consistent with the fulfillment of its role, objectives, functions and responsibilities, but in any event, at least four times per year.

The Chair is required to call a meeting if requested to do so by the Chief Executive Officer, 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 Chief Executive Officer, Internal Audit Manager, Finance Manager, Commonwealth Finance Officer and a representative from the Australian National Audit Officer will be invited to attend each meeting, unless requested not to do so by the Chair of the committee. The committee may also request other employees attend committee meetings or participate for certain agenda items.

The committee will meet separately with both the internal and external auditors at least once a year.

The Chief Executive Officer, Director Norfolk Island Hospital Director or the General Manager, Norfolk Island Government Tourist Bureau may be invited to attend committee meetings to participate in specific discussions or provide strategic briefings to the committee.

Secretariat

The Chief Executive Officer 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 to all committee members and observers, after approval from the Chair, at least one week before the meeting, and ensure the minutes for 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.

The secretariat is responsible for all record keeping and filing in relation to the audit committee meetings.

Conflicts of Interest

Once a year Audit Committee members will provide written declarations to the Chief Executive Officer stating that they do not have any conflicts of interest that would preclude them from being members of the committee.

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

Where members or observers at Audit Committee meetings are deemed to have a real, or perceived, conflict of interest it may be appropriate that they are excused from committee deliberations on the issues where a conflict of interest 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 Chief Executive Officer, 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 Chief Executive Officer) with appropriate input sought from the Chief Executive Officer, the internal and external auditors, executive management and any other relevant stakeholders, as determined by the Chief Executive Officer.

Review of charter

At least once a year the committee will review this charter. The review will include consultation with the Chief Executive Officer.

Any substantive changes to the charter will be recommended by the committee and formally approved by the Chief Executive Officer.