



Audit Committee

Terms of Reference

24 July 2020



1. Purpose

The purpose of the Audit/Finance and Risk Committee is to:

- 1.1. Assist the Board in carrying out its duties in regard to financial reporting and legal compliance;
- 1.2. Support the implementation and monitoring of internal controls; and
- 1.3. Provide input to the Board in its assessment of risk appetite as part of the overall strategy for Lake Taupō Forest Trust.

2. Constitution

- 2.1. The Audit/Finance and Risk Committee shall be a Committee of the Board established by the Board.

3. Membership

- 3.2. The Committee will have at least three members, all of them, where possible, non-executive directors. The chief executive shall not be a member of the Committee.
- 3.3. The board shall appoint a non-executive director as Committee chair.
- 3.4. The Committee chair has a casting vote.

4. Secretarial and Meetings

- 4.1. The Board Secretary shall act as Secretary to the Committee and attend all meetings.
- 4.2. The Secretary shall record the proceedings and decisions of the Committee meetings and the minutes shall be circulated to all members and attendees, as appropriate, taking into account any conflicts of interest that may exist.
- 4.3. Reasonable notice of meetings and the business to be conducted shall be given to the members of the Committee, all other members of the Board and the chief executive officer.
- 4.4. Meetings shall be held not less than four times a year. Any member of the Committee or the chief executive officer may request a meeting at any time if they consider it necessary.

5. Resolutions

- 5.1. The Committee shall reach decisions by a simple majority of those voting on the issue in question.
- 5.2. Any resolution evidenced in writing or by electronic or voice recognition means, by such member or members of the Committee as would have been necessary to pass such resolution had all members of the Committee been present at a meeting to consider such resolution, shall be valid and effective as if it had been passed at a meeting of the Committee duly convened and held, provided that notice and details of the proposed resolution have been given in advance to each member of the Committee.

6. Responsibilities

The Committee is required to maintain operational oversight of the risk areas identified below. The Committee will receive a monthly status report from the group manager. This report will highlight any risks that carry a net risk value of 3 or higher. The Committee will review the risk and identify any additional mitigation techniques, if these do not reduce the risk to an acceptable level (below 3) the Committee are required to escalate these to the



Board. Any risks that require Board attention must be supplied in writing, the risk register and any additional notes regarding the risk background will be presented to the Board. The Board may also request that the Committee review any additional risks not captured by the risk areas below.

6.1. Financial Reporting

- Assessment of Fraud;
- Review of cost benefit of internal and external services;
- Review of Loan management;
- Review of delegated financial authority (DFA);
- Review of sensitive expenditure (Travel, Vehicles, Credit cards, fuel cards);
- Assessment of the performance of financial management;
- Review of interim financial information;
- Review of accounting policies; and
- Oversight of compliance with statutory responsibilities (Tax, IRD compliance and other financial compliance activities) relating to financial requirements.

6.2. Internal and External Audit

- Review of the appointment of the external auditors and their fees;
- Approval of any internal audit programme;
- Review of the internal audit programme (if any);
- Liaison with internal and external auditors;
- Review of the annual audit plan with the external auditors;
- Review of audit findings and the annual financial statements; and
- Ensuring that recommendations highlighted in internal audit reports are actioned by management.

6.3. Internal Control and Risk Management

- Reviewing the Risk Management Framework and its linkage to the organisations overall strategy;
- Monitoring of corporate risk assessment and the internal controls instituted; and
- Supervision of special investigations when requested by the Board.

7. Authority

- 7.1. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees will be directed to co-operate with any request made by the Committee.
- 7.2. The Committee is authorised by the Board to obtain, at the expense of the company, outside legal or other independent professional advice and to arrange for the attendance at meetings, at the expense of the company, of outside parties with relevant experience and expertise if it considers this necessary.

8. Review of the Committee

- 8.1. The Committee shall undertake an annual self-review of its objectives and responsibilities.
- 8.2. The Committee may recommend to the Board any amendments to its Terms of Reference.
- 8.3. Such objectives and responsibilities shall also be reviewed by the Board, the chief executive officer, and any other person the Board considers appropriate.



9. Reporting Procedures

- 9.1. The Committee shall maintain direct lines of communication with the external auditors, the chief executive officer and with management generally including those responsible for non-financial risk management.
- 9.2. The chief executive officer shall be responsible for drawing to the Committee's immediate attention any material matter that relates to the financial condition of the company, any material breakdown in internal controls, and any material event of fraud or malpractice.
- 9.3. After each Committee meeting the chairman shall report the Committee's findings and recommendations to the Board.
- 9.4. The minutes of all Committee meetings shall be circulated to members of the Board, the chief executive officer, the chief financial officer, the external auditors and to such other persons as the Board directs.
- 9.5. The chairman shall present an annual report to the Board summarising the Committee's activities during the year and any related significant results and findings.