

## **AUDIT COMMITTEE CHARTER**

### **1. AIMS**

The Audit Committee shall take reasonable action and operate with the aims of:

- 1.1 Ensuring the integrity of external financial reporting.
- 1.2 Safeguarding the independence of the external auditor.
- 1.3 Ensuring that directors and senior management are provided with financial and non-financial information that is of high quality and relevant to the judgements to be made by them.
- 1.4 Ensuring that controls are established and maintained in order to safeguard the organisation's financial and physical resources.
- 1.5 Ensuring that systems or procedures are in place so that the entity complies with relevant statutory and regulatory requirements.
- 1.6 Assessing financial risks arising from the entity's operations, and considering the adequacy of measures taken to moderate those risks.

### **2. MEMBERSHIP**

- 2.1 There will be no fewer than three members.
- 2.2 Members shall be appointed by the Board and the appointment shall be a defined period.
- 2.3 The majority of members shall be independent directors and have experience in financial reporting, or management reporting. However membership shall reflect a mix of skills and experience. To that end, the Board may engage outside experts to strengthen the audit committee (either as members or advisers).
- 2.4 All members of the audit committee will be non-executive directors.
- 2.5 The chair of the audit committee shall be an independent director who is not also chair of the Board.

### **3. AUTHORITY**

- 3.1 The committee shall make determinations about matters for which it is responsible, save where this charter limits the committee's authority to that of making recommendations to the board.
- 3.2 The committee shall be provided with secretarial and other services to enable it to perform its functions.
- 3.3 The committee has the authority to require members of management or others to attend meetings and to provide advice or information.
- 3.4 The committee has the authority to access the entity's documents and records.
- 3.5 The committee shall have access to legal or other specialist advice.
- 3.6 Members of the committee shall be entitled to training relating to issues specific to the industry in which the firm operates.
- 3.7 The committee has the right to access auditors, internal and external, without management present.

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### **4. RESPONSIBILITIES**

#### ***Generally***

- 4.1 To ensure that members are informed about changes in statutory requirements, accounting standards, or guidelines affecting financial reporting.
- 4.2 To assess whether the resources devoted to the accounting function (including training and succession planning) are adequate to ensure that reporting arrangements are of high quality – and to advise the Board of any identified shortcomings.
- 4.3 To ensure that periodic assessments are undertaken of the financial risks faced by the entity in the course of its operating activities, and to review and agree on the arrangements undertaken to manage or mitigate those risks.
- 4.4 To consider and review the adequacy of internal controls, having regard to risks.
- 4.5 To consider, periodically review, and approve schedules of delegated authorities operating within the organisation.
- 4.6 To provide a line of communication so that employees may raise issues of concern relating to the management of the organisation's physical and financial resources, or to the accuracy or sufficiency of information being provided to managers or the Board, or Board sub-committees.
- 4.7 To provide a statement in the entity's annual report describing the audit committee's objectives and responsibilities, and how it has discharged those responsibilities during the past financial year.
- 4.8 To review the Company's strategy in relation to compliance with the Corporations Act and other applicable laws.

#### ***Related party transactions and executive expenditure***

- 4.9 To consider, and if thought appropriate, pre-approve any proposed related party transactions.
- 4.10 To review the adequacy of internal controls relating to executive travel and entertainment, if thought appropriate.

#### ***Responsibilities in relation to independent external audit***

- 4.11 To conduct audit tenders periodically and, where appropriate, recommend the appointment of a new auditor.
- 4.12 To propose to the Board the terms of the contractual engagement with the auditor, over and above statutory requirements.
- 4.13 To oversee the independence of the external auditors.
- 4.14 To review the audit plan proposed by the auditor and suggest potential improvements or changes in coverage, where appropriate.
- 4.15 If considered appropriate, to pre-approve any arrangements for the provision of non-audit services that will not threaten the independence of the auditor.
- 4.16 To review audit fees each year and the terms of the audit engagement.
- 4.17 To seek the external auditor's assessment of the quality and coverage of internal audit work and of the competence of internal audit staff.
- 4.18 To assess the performance of the external auditor on an annual basis, and to consider whether it is appropriate to propose to the Board that an auditor be removed, or that

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competitive tenders for audit work be sought. Where the external auditor provides non-audit services, the report should state whether the audit committee is satisfied that provision of those services has not compromised the auditor's independence.

### ***Responsibilities in relation to internal reporting***

- 4.19 To consider the completeness and quality of financial and operational information being provided to the Board, and to suggest ways in which those reports might be improved.
- 4.20 To periodically seek advice from internal and external auditors regarding the completeness and quality of financial and operational information being provided to senior management and the Board.
- 4.21 To undertake post investment reviews of major transactions or capital investments, with the aim of assessing the adequacy of the analysis undertaken before decisions were made to proceed with those transactions or investments, so that the organisation can learn from those experiences and improve its analytical capabilities and reporting processes.

### ***Responsibilities in relation to internal audit***

- 4.22 To review and agree on the appointment, replacement, re-assignment or dismissal of the internal auditor.
- 4.23 To review the organisation and quality of internal audit staff.
- 4.24 To review with the internal auditor and the external auditor the co-ordination of audit efforts to ensure the efficient effective use of audit resources.
- 4.25 Or, if the internal audit function is outsourced:
  - (i) To review the terms of the engagement of the internal auditor.
  - (ii) Periodically, conduct audit tenders and recommend the appointment of a firm to undertake internal auditing.
  - (iii) To review the performance of the contract internal auditor.
- 4.26 To make recommendations for the appointment, or if necessary, the dismissal of the head of internal audit.

### ***Responsibilities in relating to external reporting***

- 4.27 To review the Statement of Accounting Policies and other notes in the draft accounts, and to gain an awareness of the areas in which management discretion in the choice of accounting methods has been exercised, to make determinations in relation to the choice of accounting policies, and also to ensure that Notes to the financial statements describing the choice and application of accounting policies are informative.
- 4.28 To review draft yearly financial statements, prior to endorsement by the Board for submission to shareholders for adoption.
- 4.29 To review half yearly and other interim reports for compliance with regulatory requirements.
- 4.30 To review reporting arrangements to ensure that the company meets its obligations to undertake continuous disclosure to the market and regulatory agencies.

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### ***Responsibilities in relation to risk management***

- 4.31 To review management's approach to the management of risks (including regulatory, economic, environmental, social, weather and market conditions, the adequacy of insurance arrangements, business continuity planning, and exposures to movements in exchange rates or interest rates).
- 4.32 To assess whether audit plans developed by the internal and external auditor are consistent with the financial and operating risks facing the organisation.

### ***Responsibilities in relation to compliance***

- 4.33 To ensure that the procedures established to monitor compliance with statutory requirements, regulations, and contractual obligations are appropriate.

## **5. PROCEDURES**

### ***Attendance***

- 5.1 All directors who are not members of the audit committee shall have the right to attend meetings of the committee.
- 5.2 The chief executive officer and the chief financial officer shall be invited to attend all meetings of the audit committee (though not necessarily for all agenda items).
- 5.3 The external auditor shall be invited to attend meetings, as appropriate (though not necessarily for all agenda items).
- 5.4 The internal auditor shall be invited to attend meetings, as appropriate.

### ***Meetings***

- 5.5 The committee's secretary shall propose a schedule of audit committee meetings to ensure that all of the committee's responsibilities are addressed during the financial year, and to ensure that communications with internal and external auditors are maintained on a regular basis.
- 5.6 The committee shall meet as frequently as required but shall meet at least four times per annum.
- 5.7 Meetings may be called by the chair of the committee, or at the request of the chair of the Board.
- 5.8 A quorum for a meeting of the committee will comprise any two independent non-executive Director committee members. A duly convened meeting of the committee at which a quorum is present is competent to exercise all or any of the authorities, powers or discretions vested in or exercisable by, the committee.
- 5.9 In the absence of the Chair, the remaining members present will elect one of their number as chair of the meeting.
- 5.10 Where the committee is unable to reach consensus on a matter, the chair of the committee will report the matter to the Board.

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### ***Secretarial services and minutes***

- 5.11 The Board shall appoint an executive to act as secretary to the committee. The secretary shall (in conjunction with the chair) be responsible for:
- (i) drawing up the agenda, supported by documentation, and circulating that material to committee members prior to each meeting;
  - (ii) preparing draft minutes of the meetings of the audit committee, and circulating minutes to members of the committee and the Board;
  - (iii) maintaining registers.
- 5.12 Reports from the internal auditor and the external auditor shall be provided to members prior to the meeting.
- 5.13 The secretary shall provide draft minutes of meetings and provide them for review by the chair of the audit committee as soon as is practicable.
- 5.14 Minutes shall be accompanied by an 'action plan' detailing matters that require attention as the result of the committee's deliberations.
- 5.15 Copies of minutes of audit committee meetings shall be provided to the Board at its next meeting after those draft minutes have been reviewed by the chair of the committee.

### ***Reporting relationships with the external auditor***

- 5.16 The external auditor normally shall communicate directly with the audit committee, while recognising that in certain situations the auditors may wish to communicate with the Board or other sub-committees of the Board.
- 5.17 The chair of the audit committee shall be provided with draft management letters or other reports at the same time as they are provided to management (but shall, except in exceptional circumstances, not pursue enquiries until management have had an opportunity to respond to the draft report).
- 5.18 The chair of the committee shall provide opportunities for the external auditor to meet with the committee without executive directors or other management representatives present.

### ***Reporting relationships with the internal auditor***

- 5.19 The audit committee is the 'client' of the internal auditor (save where the committee has agreed with management that certain projects be undertaken for the assistance of management). As such, final reports shall be addressed to the committee.
- 5.20 The chair of the audit committee shall be provided with draft reports from the internal auditor at the same time as management (but shall, except in exceptional circumstances, not pursue enquiries until management have had an opportunity to respond to the draft report).
- 5.21 The chair of the audit committee shall provide opportunities for the internal auditor to meet with the committee without executive directors or other management representatives present.

### ***Reporting to the Board***

- 5.22 The Board of Directors shall be provided with minutes of audit committee meetings (and oral reports of any meetings held subsequent to the last Board meeting for which minutes have

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yet to be prepared) – such minutes or reports to describe major actions undertaken by the Committee or any recommendations to management or the Board.

### ***Confidential communications from employees***

- 5.23 Employees shall be advised that they may communicate to the chair of the audit committee, where they have concerns ( on reasonable grounds ) regarding potential fraud or misappropriation, weaknesses in internal controls, or the adequacy or accuracy of information being provided within the organisation to senior managers or the Board. Contact postal and/or email addresses shall be provided to employees for this purpose. Such communications (which shall be in writing) shall be treated as confidential. Employees should explain whether the matters have previously been discussed with an employee's manager, and if not, why the employee has chosen to report to the Audit Committee.

### ***Maintenance of records***

- 5.24 The secretary of the committee shall maintain records of recommendations made by the external and internal auditors. Such records shall record a summary of management responses to those recommendations, and whether the recommendations were adopted, implemented, or rejected.
- 5.25 The secretary shall provide to the committee at each meeting a summary, highlighting management responses to recent recommendations and any recommendations that have yet to be resolved.
- 5.26 The chair of the audit committee shall maintain records of employee confidential communications, and how they were dealt with.

### ***Review of delegations***

- 5.27 Schedules of delegations are to be reviewed at least annually, or whenever there are major changes in the management structure of the firm.

### ***Review of committee performance***

- 5.28 The committee shall review its performance annually, with particular attention being paid to the extent to which it has met its responsibilities in terms of this charter.

### ***Publication and review of the Charter***

- 5.29 The charter shall be made available on the entity's web site.
- 5.30 The charter shall be reviewed and updated periodically and when necessary to meet the operational requirements of the Company and changes in the law, initially by the audit committee and then by the Board.