

## **AUDIT AND RISK COMMITTEE CHARTER**

### **1. INTRODUCTION**

All members of the committee must be financially literate. At least one member of the committee must have recent accounting or related financial expertise.

The company secretary will be secretary of the committee and will attend all meetings of the committee.

The committee will meet as frequently as required but must meet not less than twice in each financial year. Meetings, where appropriate, should coincide with key dates in the Company's financial reporting cycle.

The committee is authorised to obtain and secure the services of outside legal and other independent professional advice.

The committee is authorised to investigate any activity or function of the Company, its controlled entities and, so far as it is practicable, its associates, in accordance with this charter. The committee is authorised to make recommendations to the board regarding appropriate actions resulting from such investigations.

The committee has unrestricted access to all Company records and relevant information and rights to seek explanations and information from all senior management, employees and all tax and other financial advisers, legal advisers and the external auditors, without management being present.

### **2. OBJECTIVES AND PURPOSES**

The objective and purpose of the committee is to assist the board in fulfilling its corporate governance and oversight responsibilities relating to financial accounting practices, internal control systems, risks, external reporting and the external audit function.

Specifically, the committee's role is to report to the board and provide appropriate advice and recommendations on matters relevant to this charter in order to facilitate decision making by the board.

### **3. DUTIES AND RESPONSIBILITIES**

#### **3.1 General Duties and Responsibilities**

Without limiting section 2 above, the duties and responsibilities of the committee are:

##### **Financial Reporting**

The committee will oversee the Company's system of financial reporting for the purpose of safeguarding its integrity. Its responsibilities in this area include viewing financial reports and other formal announcements relating to the Company's financial performance prepared for release to the ASX, regulators and the public, including half yearly and annual financial reports, before making appropriate recommendations to the board in relation to:

- (a) key accounting policies and practices.
- (b) adequacy, accuracy and completeness of information;
- (c) compliance with applicable accounting standards, ASX Listing Rules and other legal requirements in relation to the financial reports; and
- (d) the extent to which the financial reports are affected by any unusual transactions, and major elements of judgment, significant audit adjustments and audit recommendations that have not been adjusted.

Its responsibilities include ensuring that the Principal Executive Officer and Principal Financial Officer state in writing to the board annually that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with the relevant accounting standards.

## **External Audit**

The committee will monitor the performance and activities of the external auditor. Its responsibilities in this area include:

(e) overseeing the process for the appointment, re-appointment and removal of the external auditors (including audit engagement letters), overseeing the rotation of the principal audit partner and reviewing the level of the external auditors' fees;

(f) assessing the performance and independence of the external auditors and the quality of the audit work performed;

(g) requiring, reviewing and monitoring compliance with the audit plan of the external auditors, including the scope of the plan and the levels of financial statement materiality;

(h) reviewing reports from the external auditors and meeting with the external auditors at least once annually in the absence of management and also meeting with the external auditors as requested by the board, the committee or the external auditors; and

(i) receiving, reviewing, developing and implementing policy on the engaging of the external auditors to supply non-audit services.

## **Risk Management**

The committee will monitor the external and internal environment to ensure business risk is appropriately managed. Its responsibilities in this area include:

(a) identify and assess areas of significant business risk identified by the board, committee and or management;

(b) identify and assess mechanisms to manage those risks adequately;

(c) review the scope, practical application and thoroughness of the system of internal control and the company's means of recognising and protecting itself against material business risk; and

(d) make recommendations to the board on the mechanisms to manage risks identified.

The committee is required to review the company's risk register at least annually to ensure all material business risks have been captured and mitigation plans are operating effectively. The risk register must also be reviewed and updated as soon as practicable following any material change in the Company's risk profile, operating environment, strategy, or control framework.

## **3.2 Other Duties and Responsibilities**

The committee is required to:

(a) review disclosures, including a statement in the annual report detailing the committee's activities, the membership of the committee, the number of committee meetings and attendance over the course of the year, and the policy in relation to provision of non-audit services by the external auditors; and

(b) in the event of the board not accepting a recommendation by the committee on the appointment, re-appointment or removal of the external auditors, make a statement explaining the recommendation and setting out the reasons why the board took a different decision.

### 3.3 Provision of Services by External Auditor

In regard to the provision of non-audit services by the external auditors, the following guidelines have been agreed by the board:

The external auditors must not provide services which are considered to be in conflict with the role of the statutory auditor. The services which must not be provided include investigations and consulting advice, or sub-contracting of activities normally undertaken by management, where the external auditors may ultimately be required to express an opinion on their own work. Examples of services that should not be provided by the external auditors include:

- (a) preparation of accounting records and financial statements;
- (b) design and implementation of new IT systems and financial controls;
- (c) valuation services in relation to amounts which are included in the Company's accounts;
- (d) actuarial services;
- (e) internal audit services;
- (f) management functions, including senior management secondments;
- (g) recruitment and human resource services;
- (h) broker, dealer or investment advisor services;
- (i) legal services.

The external auditors will be permitted to provide non-audit services that are not perceived to be in conflict with the role of the auditors. Examples of services that may be provided without audit and risk committee approval include:

- (j) tax compliance services;
- (k) advice on application of appropriate accounting standards;
- (l) audits or verification of regulatory returns.

The external auditors may be permitted to provide non-audit services where their detailed knowledge of the Company's activities could permit cost and output efficiencies, provided stringent independence requirements are satisfied. These services, based on recommendations from management, must be approved by the chair of the audit and risk committee who will consult with the other members of the audit and risk committee, the external auditors and management, as appropriate. Examples of such services include:

- (m) strategic tax advice;
- (n) due diligence on potential acquisitions/investments;
- (o) investigating accounting assignments;
- (p) corporate finance advice (deal structuring and execution), including independent accountant's statements.

The audit and risk committee will recommend to the board, on a totally transparent basis, the appropriate disclosure in the annual accounts of the full details of fees paid to the external auditors.