
Audit and risk committee charter

Netccentric Limited

Audit and risk committee **charter**

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Audit and risk committee charter

1 Introduction

- (a) The Audit and Risk Committee (**Committee**) reports to the Board and its charter extends to the financial and audit activities, controls, procedures and risk management processes of Netccentric Limited (**Netccentric**).
- (b) The purpose of the Committee is to assist the Board in overseeing the integrity of Netccentric's financial reporting, controls, procedures and the independence of external auditors and Netccentric's risk management processes. To do this, the Committee will review:
 - (i) the financial reporting processes;
 - (ii) the system of internal control;
 - (iii) the audit process;
 - (iv) risk management and compliance; and
 - (v) all Netccentric policies that relate to the Committee's terms of reference under this charter.
- (c) In performing its duties, the Committee will maintain effective working relationships with the Board, the Managing Director, management, the external auditors and internal audit function (if appointed).
- (d) To perform his or her role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as Netccentric's business, operations and risks. Each Committee member shall be entitled to training on issues pertinent to the business of Netccentric, including financial accounting and reporting.

2 Authority

- (a) In carrying out its responsibilities, the Committee has full authority to investigate all matters that fall within the terms of reference of this charter. Accordingly, the Committee may:
 - (i) seek any information it requires from:
 - (A) any Netccentric employee (and all employees are directed to cooperate with any request made by the Committee); and
 - (B) external parties (including external auditors);
 - (ii) obtain outside legal or other professional advice; and

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- (iii) ensure the attendance of Netccentric officers at meetings as appropriate.
 - (b) The Committee may perform further oversight responsibilities as requested by the full Board from time to time, and if necessary, institute special investigations and hire special counsel or experts to assist.

3 Membership

- (a) The Committee will comprise at least three financially literate members, at least one of whom (where possible) has accounting or related financial expertise. Each member will have an understanding of the industry in which Netccentric operates.
- (b) All members of the Committee will be non-executive directors and a majority will be independent directors.
- (c) Appointment to the Committee is for one year or any other period determined by the Board.
- (d) The duties and responsibilities of a member of the Committee are in addition to those duties set out for a director of the Board.

4 Chair

4.1 Appointment

- (a) The Board must appoint a member of the Committee who is an independent director to act as chair of the Committee (**Chair**), provided that director is not also the chair of the Board.
- (b) The Committee members present at a Committee meeting may elect one of the members present to chair that meeting, or part of it, if:
 - (i) a member of the Committee has not already been elected to chair the meeting; or
 - (ii) the previously elected Chair is not available or declines to act as chair for the meeting or part of the meeting.

4.2 Function of the Chair

- (a) In addition to the Chair's responsibilities as a member of the Committee, the Chair is responsible for:
 - (i) leading the Committee in discharging its duties and responsibilities to the Board;
 - (ii) the efficient organisation and conduct of the Committee's function;
 - (iii) chairing Committee meetings and directing Committee discussions so that there is an effective use of time and that critical issues are discussed;

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- (iv) facilitating the effective contribution of all members of the Committee; and
 - (v) briefing all members of the Committee in relation to issues arising at meetings of the Committee.
- (b) The Chair is required to commit sufficient time in order to properly discharge the role of chair.

5 Secretary

The Committee must appoint a member or nominee to act as secretary of the Committee.

6 Committee meetings

- (a) The Committee may invite such other persons to its meetings, as it deems necessary.
- (b) The external auditor and the internal auditor (if appointed) should be invited to make presentations to the Committee as appropriate.
- (c) The Committee will meet as often as the work of the Committee demands.
- (d) The Chairman will call a meeting of the Committee if so requested by any member of the Committee, an auditor or by the Board.
- (e) All directors who are not members of the Committee will have the right to attend meetings of the Committee. Netccentric's company secretary and the Managing Director will be invited to attend all meetings of the Committee (though not necessarily for all agenda items). The external auditor and the internal auditor (if appointed) will be invited to attend meetings as appropriate (though not necessarily for all agenda items).
- (f) A quorum for Committee meetings is two members or any greater number determined by the Committee from time to time and the quorum must be present at all times during a meeting.
- (g) Each member of the Committee has one vote.
- (h) Decisions of the Committee are decided by a majority of votes cast by members present and entitled to vote.
- (i) In the case of an equality of votes on a resolution at a Committee meeting, the Chair will have a second or casting vote on that resolution in addition to any vote the Chair has in his or her capacity as a member of the Committee in respect of that resolution.
- (j) Any dissenting member of the Committee will be entitled to have the opinion of that member recorded in the minutes.

7 Minutes

- (a) Minutes must be made of all Committee meetings.
- (b) Minutes must be signed by the Chair of the relevant Committee meeting or by the Chair of the next successive Committee meeting and once signed will constitute prima facie evidence of the matters stated in the minutes.
- (c) Minutes must be circulated to each Committee member as soon as is practicable after the relevant Committee meeting and must be provided to the company secretary once ratified by the Committee.
- (d) The minutes of the Committee meetings must be included in the Board papers for the next meeting of the Board.

8 Reporting responsibilities

- (a) In addition to providing the Board with the minutes of Committee meetings, the Committee will regularly update the Board about its activities and make recommendations as appropriate.
- (b) The Committee will report to the Board on all matters relevant to the Committee's role and responsibilities and ensure the Board is aware of matters which may significantly impact the financial condition or affairs of Netccentric.
- (c) The Committee must immediately report to the Board any failures of audit in respect of Netccentric that are brought to its attention which it deems to be significant breaches of Netccentric's audit policies.
- (d) The Committee must submit half yearly reports to the Board each year that detail its findings and outline its activities in performing its functions.

9 Internal control and risk management

The Committee will:

- (a) review, at least annually, the adequacy of:
 - (i) the finance resources (quantity, qualifications, structure, etc), to ensure that accounting and reporting processes of Netccentric are of high quality, and report on such matters to the Board; and
 - (ii) internal controls, having regard to the design, implementation and operating effectiveness of those controls; and
- (b) review the overall assurance framework in relation to internal controls and managing key risk areas, including assurance provided by the external auditor, the internal auditor (if

appointed) and other external advisers with respect to internal processes and controls and report on that review to the Board.

10 Financial risk management and monitoring

The Committee will:

- (a) discuss with the external auditor and the internal auditor (if appointed) significant risks and exposures and the adequacy of plans to minimize such risks;
- (b) request and receive regular updates regarding taxation issues affecting Netccentric; and
- (c) review, at least annually, the significant financial policies and delegated authorities.

11 Financial reporting

11.1 General

The Committee will:

- (a) consider any fraud, illegal acts, deficiencies in internal control or other similar issues with the external auditors and internal auditor (if appointed);
- (b) review significant accounting and reporting issues, including recent professional and regulatory pronouncements and related party transactions, and consider their impact on the financial statements of Netccentric;
- (c) review any legal matters, including any relevant external legal advice obtained by Netccentric, which could significantly impact the financial statements of Netccentric; and
- (d) review, and make any appropriate adjustment to, the level of any provision for doubtful debts.

11.2 Financial reports (Annual and Half Year)

The Committee will:

- (a) review the appropriateness of accounting policies applied in the financial statements for Netccentric;
- (b) review the half year and annual financial reports of Netccentric and determine whether they are complete and consistent with the information known to Committee members and, where appropriate, recommend to the Board the adoption of those financial reports;
- (c) pay particular attention to complex and/or unusual transactions such as restructuring changes and derivative disclosures;

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- (d) pay particular attention to areas where judgment is used (for example those involving valuation of assets and liabilities, litigation costs and other commitments and contingencies) and review any relevant reports from external consultants in relation thereto; and
 - (e) meet with the Managing Director and the external auditors to review the financial statements of Netccentric and the results of the audit.

12 External and internal audit

12.1 External audit

The Committee will:

- (a) review the external auditor's proposed audit scope and approach, ensuring no unjustified restrictions or limitations have been placed on the scope, and review the proposed auditor remuneration, and make recommendations to the Board;
- (b) review the performance and effectiveness of the external auditors;
- (c) consider the independence of the external auditor, including the firm's policies and procedures in respect of independence, and receive their independence declaration at each half year;
- (d) review, on a six monthly basis, the range of services provided by the external auditor and the quantum of fees involved (including the nature, scope and approach to individual assignments and the total external audit fees) and determine whether it is satisfied that the provision of any non-audit services is compatible with the general standards of independence for auditors imposed by the *Corporations Act 2001* (Cth);
- (e) ensure that each of the audit partner and review partner is rotated every five years but not at the same time. At the time of rotation, the Committee should interview the proposed replacement partner, satisfy itself as to the experience and qualifications of those proposed, and make recommendations to the Board;
- (f) make recommendations to the Board regarding the appointment or removal of external auditors;
- (g) meet separately with the external auditors to discuss any matters that the Committee or the external auditors believe should be discussed privately;
- (h) ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis; and
- (i) review interactions between management and the external auditor and ensure that management responds to recommendations by the external auditors on a timely basis.

12.2 Internal audit

If Netccentric has an internal audit function, the Committee will:

- (a) make recommendations to the Board regarding the appointment or removal of the head of internal audit;
- (b) review the scope and adequacy of the internal audit work plan; and
- (c) assess the objectivity and performance of the internal audit function.

13 Risk management and compliance

The risk management and compliance functions of the Committee will comprise:

- (a) reviewing at least annually the risk management program developed by management (**RMP**) and associated documents for the purpose of ensuring that both accurately reflect the risk exposures of Netccentric;
- (b) reviewing the RMP and associated documents to ensure that appropriate controls are in place to manage risk;
- (c) overseeing the implementation of the RMP and associated documents through the review of quarterly reports from the Managing Director or other methods determined by the Committee for the purpose of ensuring that risk is being managed effectively; and
- (d) ensuring the RMP and associated documents are externally audited annually in accordance with legislative requirements.

14 Other responsibilities

The Committee will:

- (a) review and, if necessary, update this charter on an annual basis and receive approval for changes from the Board; and
- (b) evaluate the Committee's own performance on a regular basis by way of a self-assessment together with any feedback sought from external auditors, internal auditors and other advisers.

15 Adoption of charter

This charter was adopted by the Board on _____ 2015.