

## **Melbourne IT**

### **Audit & Risk Management Committee Charter**

#### **1.) Introduction**

The Board of Directors of Melbourne IT Limited (“the Board”) has established an Audit & Risk Management Committee. The Audit & Risk Management Committee shall be guided by the following Charter in conjunction with the Constitution of the Company, so far as it is relevant.

This Charter sets out the authority and specific responsibilities delegated by the Board to the Audit & Risk Management Committee and provides support for the manner in which the Audit & Risk Management Committee will operate.

#### **2.) Objectives**

The primary objective of the Audit & Risk Management Committee is to assist the Board discharge its responsibilities, in particular with regard to the following areas:

- ensuring the quality and accuracy of published financial reports so they present a true and fair view of the Company’s financial position;
- ensuring the Company adopts, maintains and applies appropriate accounting and business policies and procedures;
- ensuring the independence of and addressing issues arising from the external audit process;
- overseeing the internal audit programme;
- ensuring that the Company maintains effective internal control and risk management systems;
- monitoring compliance with applicable provisions of the Corporations Act 2001, and Australian Stock Exchange (“ASX”) Listing Rules; and
- providing a formal forum for communication between the Board and senior management (*in specific areas*).

#### **3.) Audit & Risk Management Committee Composition**

3.1) The Audit & Risk Management Committee shall consist of at least three directors. All members of the Committee shall be non-executive directors, with a majority of independent directors.

3.2) The Committee shall comprise members who, between them, should have a good understanding of financial statements and general accounting principles. At least one member must have accounting and/or financial management expertise.

- 3.3) The Board shall determine the total number of members of the Audit & Risk Management Committee. Members shall be proposed by the Chairman of the Board and appointed by the Board.
- 3.4) Members of the Audit & Risk Management Committee shall be appointed for an initial term of three years, after which time, subject to their continuing appointment as a director of the Melbourne IT Limited, they shall be eligible for reappointment.

4.) **Chairman**

The Chairman of the Audit & Risk Management Committee shall be an independent non-executive director and shall be appointed by the Board. The Chairman of the Board shall not be the Chairman of the Audit & Risk Management Committee.

5.) **Secretary**

The Secretary to the Board, or company CFO, shall be the Secretary to the Audit & Risk Management Committee.

6.) **Responsibilities**

The duties and responsibilities of the Audit & Risk Management Committee include:

6.1) **Financial Reporting**

- reviewing and approving the externally published financial information that requires Board approval, including the annual statutory financial report and the ASX half year and preliminary final reports, prior to submission to the Board for approval with particular attention to:
  - the accounting policies and practices adopted by the Company, and any significant changes thereto;
  - major areas requiring judgement;
  - reviewing unusual transactions
  - significant audit adjustments, if any; and
  - proposed departures from accounting standards, if any;

6.2) **Accounting and Business Policies and Procedures**

- reviewing and approving accounting and business policies, including: ensuring the adequacy of policies, the appropriate application of new policies and revision to existing policies, to ensure compliance with Australian accounting standards;
- reviewing due diligence procedures (capital raisings, mergers/acquisitions);
- reviewing related party transactions;
- reviewing the Company's dividend policy and payment of dividends, prior to submission to the Board for approval;
- reviewing management representation letters and ensuring that they are adequate and appropriate, in particular that the declarations made by the CEO and CFO are in accordance with the requirements of the Corporations Act; and
- reviewing and approving the Corporate Governance Statement prior to submission to the Board for its approval;

### **6.3) External Audit**

- overseeing the Company's relationship with external auditors, including:
  - reviewing and approving the external audit plan;
  - monitoring the external audit process and addressing issues raised by the external auditors;
  - reviewing the external auditor's fee and ensuring that a comprehensive and complete audit can be conducted for the agreed fee;
  - satisfying themselves that the auditor has sufficient relevant expertise to properly audit the Company, including that adequate computer audit support is available where necessary;
  - obtaining from the auditor an engagement letter that confirms the acceptance of the appointment, the objective and scope of the audit, the extent of the auditors' responsibilities and the form of reports to be issued. Engagement letters should be sought for the financial statement audit of the Company for both half year ASX reporting and full year ASX and statutory reporting;
  - ensuring the independence of the auditor;
  - monitoring of all audit/non-audit services provided to the Company by the external auditor; and
  - reviewing the performance of auditors from time to time; and
  - recommending to the Board, when required, the appointment or removal of external auditors;

### **6.4) Internal Audit**

- overseeing the internal audit programme of the Company, including:
  - reviewing and approving the internal audit plan; and
  - monitoring the progress of internal audit;

### **6.5) Risk Management**

- ensuring the existence of an adequate framework for the identification and management of business, operational and financial risks, including:
  - ensuring the adequacy of the systems of internal control, including delegated authorities;
  - ensuring the adequacy of security and controls over management information systems; and
  - ensuring the existence of an adequate framework that could be reasonably expected to prevent and detect material fraud and theft;
- reviewing and monitoring occupational health and safety risk;
- reviewing and making recommendations to the Board on the overall current and future risk appetite and risk management strategy;
- reviewing the structure and adequacy of the Company's insurance program; establishing the Company's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

**6.6) Compliance**

- monitoring compliance with relevant statutory and regulatory requirements, particularly with the Corporations Act 2001 (*Cth*) and ASX Listing Rules;
- establishing, reviewing and monitoring the implementation of the Whistleblowers' Policy
- monitoring the effectiveness of and compliance with corporate code of conduct; and
- ensuring the existence of an adequate framework to monitor and provide compliance with relevant laws and regulations;

**6.7) Other**

- directing special projects or investigations as required by the Board.

**7.) Meetings**

7.1) The number of meetings is to be determined by the Audit & Risk Management Committee Chairman so as to allow the Audit & Risk Management Committee to fulfil its obligations, but shall not be less than three each year.

7.2) The quorum for a meeting shall be a minimum of two directors.

7.3) The Chairman is required to call a meeting of the Audit & Risk Management Committee if requested to do so by any Audit & Risk Management Committee member, management or the external auditor.

7.4) The Secretary shall maintain minutes of all meetings of the Audit & Risk Management Committee. The minutes shall be signed by the Chairman.

**8.) Attendance**

8.1) Representatives of the external auditor and Company management may attend all or part of each meeting at the invitation of the Chairman.

8.2) The Audit & Risk Management Committee shall meet with the external auditor without the presence of management of the Company, at least on an annual basis.

**9.) Non-Consensus**

Where the Audit & Risk Management Committee is unable to reach consensus on a matter, the Chairman of the Audit & Risk Management Committee shall report this to the Board. The Board shall determine whether the matter can be resolved by it or by independent advice.

**10.) Access to Information and Independent Advice**

10.1) The Audit & Risk Management Committee shall have right of access to:

- the CEO and CFO;
- all levels of management; and
- the external auditors.

10.2) In certain circumstances a director may consider it necessary to seek independent professional advice in carrying out his duties. Should this arise, the director would discuss the matter with the Chairman of the Board and any advice considered necessary would be obtained at the expense of Melbourne IT.

**11.) Reporting and Appraisal**

11.1) The Chairman of the Audit & Risk Management Committee shall report to the Board subsequent to each Audit & Risk Management Committee meeting on:

- results of the external audit processes;
- minutes and formal resolutions; and
- other key activities and major issues of which the Board should be informed.

11.2) The Chairman of the Audit & Risk Management Committee shall report to the Board on the Audit & Risk Management Committee's performance on an annual basis. The performance of the Audit & Risk Management Committee shall be measured against this Charter and other relevant criteria as approved by the Board.

11.3) The Audit & Risk Management Committee shall be responsible for review and approval of appropriate disclosures to be included in the Company's annual report regarding the ARMC's activities and performance.

**12.) Charter Review**

The Audit & Risk Management Committee Charter shall be reviewed annually and revised as required.