



# Audit Committee Charter

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IPH Limited

ACN 169 015 838

**Revised 29 April 2016**

# Audit Committee Charter

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## 1. Introduction

### *Objectives*

The objective of the Audit Committee is to assist the Board in fulfilling its corporate governance responsibilities in regard to financial reporting and audit management, including:

- (a) compliance with legal and regulatory obligations;
- (b) the integrity of the financial reporting for the Company and its related entities (**Group**);
- (c) oversight of the independence of the external and internal auditors;
- (d) the effectiveness of the Group's enterprise-wide financial management and internal control framework.

### *Compliance*

The Audit Committee is to undertake the function of the audit committee set out in the ASX Recommendations.

## 2. Membership

### *Structure*

- (a) The Audit Committee is appointed by the Board in accordance with Clause 6.15 of the Constitution.
- (b) The Audit Committee is to consist of:
  - (i) at least three members; and
  - (ii) only Non-Executive Directors,  
**(Audit Committee Members)**.
- (c) The chairman of the Audit Committee is to be appointed by the Board (but is not to be the Chairman of the Board) (Audit Committee Chairman).
- (d) The Audit Committee Members must between them have the sufficient accounting and financial expertise and a sufficient understanding of the industry in which the Company operates, to be able to effectively discharge the Audit Committee's obligations under this Audit Committee Charter.

### *Term*

- (a) Audit Committee Members will be appointed for an initial term of up to three years with the appointment being subject to review annually or earlier if circumstances dictate.
- (b) The appointment of an Audit Committee Member will cease if that person ceases to be a Director or as otherwise determined by the Board.

### *Fees*

Audit Committee Members are entitled to receive remuneration as determined from time to time by the Board.

### 3. Meetings

#### *Convening Meetings*

The Audit Committee should meet at least four times a year. If required, additional meetings may be requested through the Audit Committee Chairman by any member, the Company Secretary or the external auditor of the Company.

#### *Quorum*

The quorum for an Audit Committee meeting is two Audit Committee Members.

#### *Attendance at meetings*

- (a) Directors who are not Audit Committee Members may attend meetings.
- (b) Appropriate members of management are to attend Audit Committee meetings, at the invitation of the Audit Committee Chairman, to provide reports and periodic presentations to the Committee.
- (c) The Company Secretary is to attend all Audit Committee meetings to ensure minutes are taken of the meeting.

#### *Conduct of meetings*

At each meeting, the Audit Committee will:

- (a) meet with Management to discuss any issues relating to the external audit; and
- (b) as required, meet with the external auditor to discuss any relevant issues and seek assurance that no management restrictions are being placed upon the auditor.

#### *Report*

- (a) The Audit Committee will report on its meetings to the Board as required by the ASX Corporate Governance Principles and Recommendations.
- (b) Recommendations of the Audit Committee are to be referred to the Board for approval, with the exception of:
  - (i) rotation of partners of the external auditor; and
  - (ii) approval of the audit plans and engagement letters of the external auditor, including the payment of annual fees and variations to approved fees.

### 4. Authority

The Audit Committee has authority to:

- (a) exercise the power and authority delegated to it by the Board;
- (b) make recommendations to the Board;
- (c) resolve any disagreement between management and any external auditor, with areas of significant disagreement being advised to the Board;
- (d) conduct or direct any investigation required to fulfil its responsibilities;
- (e) obtain all information necessary for the performance of its duties;

- (f) obtain (at the Company's expense) legal, accounting, financial, corporate governance or other advice to perform its duties;
- (g) require the attendance of members of management at Audit Committee meetings;
- (h) have direct access to any employee or contractor of the Company and seek any information it requires from any employee in order to perform its duties;
- (i) form and delegate full power and authority to sub-committees comprised of one or more Audit Committee Members; and
- (j) meet with external auditors.

## 5. Responsibilities and Duties

### *Responsibilities*

- (a) The Audit Committee is responsible for the review and monitoring of financial reporting, audit and financial management strategies, systems, policies and processes implemented, and reported on, by Management.
- (b) Audit Committee Members generally do not represent themselves as experts in the fields of accounting, auditing or financial management. As such, it is not the responsibility of the Audit Committee directly to conduct accounting, audit or financial reviews.
- (c) Management is responsible for:
  - (i) the preparation, presentation and integrity of the Group's financial information and other information provided to the Audit Committee;
  - (ii) implementing, managing and maintaining appropriate enterprise-wide accounting, financial reporting and financial management strategies, systems, policies and processes, reporting protocols and internal controls that are designed to ensure compliance with applicable accounting standards, laws and regulations; and
  - (iii) maintaining sufficient knowledge, skills and expertise within the Company's finance function.
- (d) The external auditor is responsible for planning and carrying out each audit and review in accordance with applicable auditing standards.

### *Review of Financial Information*

- (a) The Audit Committee will review the draft half yearly and annual financial statements of the Company and the Group and any associated documents for public release prior to consideration by the Board, to assess whether they represent a true and fair view of the financial position and performance of the Company and the entities consolidated for reporting purposes. The Audit Committee should focus on:
  - (i) compliance with accounting standards (including an assessment of the appropriateness of Management's selection of accounting policies and disclosures);
  - (ii) significant or unusual transactions and accounting estimates;
  - (iii) significant changes in accounting policies and practices;
  - (iv) underlying earnings and major judgmental areas;
  - (v) significant audit adjustments and unadjusted audit differences; and

- (vi) the form of the proposed opinion to be issued by the external auditor.
- (b) The Audit Committee will review the declarations signed by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act.

#### *Legal and Regulatory Compliance*

- (a) Without limiting its scope, the Audit Committee will, in conjunction with the Board and management, monitor the Group's compliance with all relevant:
  - (i) statutory and regulatory obligations relating to the integrity of the financial reporting for the Company and its related entities (Group) and the effectiveness of the Group's enterprise-wide financial management and internal control framework, including the ASX's continuous disclosure obligations; and
  - (ii) internal policies and procedures.
- (b) The Audit Committee will consider the effects on the Group of any new or proposed accounting or tax practices, principles or developments, disclosure requirements and legislative or regulatory pronouncements.

#### *External Audit*

- (a) The Audit Committee will:
  - (i) recommend to the Board the appointment, reappointment or replacement of the external auditor;
  - (ii) approve rotation of partners of the external auditor;
  - (iii) review and approve the audit plans and engagement letters of the external auditor, including payment of annual fees and variations to approved fees;
  - (iv) review the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures;
  - (v) consider the overall effectiveness and independence of the external auditor; and
  - (vi) resolve any disagreements between Management and the external auditor regarding financial reporting.
- (b) The Audit Committee will monitor and note compliance by the external auditor with the independence requirements imposed by the Corporations Act and will receive and review the auditor's independence declaration to be provided to the Directors by the external auditor pursuant to section 307C of the Corporations Act.
- (c) The Audit Committee will implement a process for approval of all audit and non-audit services provided by the external auditor (who are not to be appointed to undertake any non-audit assurance services that may impair the external auditor's judgment or independence in respect of the Group).
- (d) On an annual basis, the Audit Committee will review a report from the external auditor:
  - (i) confirming that the audit firm's internal quality control and conflict procedures are in place and operating; and
  - (ii) describing any material issues raised by the most recent quality control, or peer review, of the audit firm and any steps taken to deal with any such issues.

- (e) The Audit Committee and Management will agree the hiring policies for employees or former employees of the external auditor to comply with the Corporations Act and to prevent the impairment or perceived impairment of the external auditor's judgment to independence.
- (f) Prior to the approval of the Annual Report each year, the Audit Committee will pass a resolution to provide the Board with the written advice required by section 300(11D)(a) of the Corporations Act relating to:
  - (i) whether any non-audit services provided during the year by the external auditor are compatible with the general standard of independence of auditors imposed by the Corporations Act; and
  - (ii) the reasons why the Board should be satisfied that any non-audit services provided during the year by the external auditor did not compromise the auditor independence requirements of the Corporations Act.

*Other*

The Audit Committee shall examine any other matters referred to it by the Board.

## **6. Committee Performance**

To determine whether it is functioning effectively, once each year the Audit Committee shall:

- (a) review this Audit Committee Charter; and
- (b) perform an evaluation of its performance.