

# Audit, Risk and Compliance Committee Charter

McMillan Shakespeare Group of Companies



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## 1. Introduction

The Audit, Risk and Compliance Committee (**the Committee**) is a committee of the Board of Directors (**Board**) of McMillan Shakespeare Limited (**McMillan Shakespeare/Company/Group**) and is subject to the control and direction of the Board. This charter is to specify the authority delegated to the Committee by the Board and sets out the role, responsibilities, membership and operation of the Committee.

## 2. Role of the Committee

The role of the Committee is to assist the Board in carrying out its accounting, auditing, financial reporting, risk management and compliance responsibilities, including oversight of:

- the integrity and adequacy of financial reports and financial statements;
- the appointment, remuneration, independence, competence and performance of external auditors and the review of audits;
- the appointment, remuneration, independence, competence and performance of internal auditors and the review of audits ;
- the risk management framework, the system of risk management and the internal control framework and that operations are conducted within the scope of those frameworks;
- the policies on the management of business risk including both financial and non-financial risks;
- the systems and procedures for compliance with applicable legal and regulatory requirements; and
- the ethical conduct and culture of the organisation.

## 3. Membership of the Committee

The membership of the Committee shall solely consist of non-executive Directors with a majority being independent directors. The Committee will consist of at least three members and will be chaired by an independent non-executive Director who is not the Chairperson of the Board. Executive Directors shall normally attend the meeting of the Committee as observers.

The Committee shall be structured so that:

- a) all members can read and understand financial statements;
- b) at least one member has financial expertise (i.e. a qualified accountant or other financial professional with experience of financial and accounting matters); and
- c) all members shall understand the Group's structure, controls and typical transactions and the industry in which the Group operates generally in order to make an adequate assessment of the significant risks faced by the Group.

The Committee may have in attendance such members of management or any other party it may deem necessary.

Membership is reviewed periodically and re-appointment to the Committee is not automatic. Appointments and resignations are decided by the Board.

## 4. Duties and Responsibilities

The key duties and responsibilities of the Committee are to review and make recommendations to the Board.

### 4.1. Financial Reporting

The Committee will review and make recommendations to the Board in relation to:

- the annual and half yearly financial statements of McMillan Shakespeare Ltd and its related bodies corporate (and any reports which accompany published financial statements) ;
- the appropriateness of the accounting principles adopted by management in the composition and presentation of financial statements and financial reports;
- all significant accounting and financial reporting issues raised by management, internal or external audit;
- the systems in place which are aimed at ensuring accounting records are properly maintained in accordance with statutory requirements;
- management's processes for ensuring and monitoring compliance with the law, regulations and other requirements relating to the preparation of accounts and external reporting by the company of information (both financial and non-financial); and
- whether the Group financial statements should be signed.

### 4.2. External Audit

The Committee will review and make recommendations to the Board in relation to:

- the external audit plan including nature, approach, scope and cost before each audit commences;
- the reports prepared by the external auditors relating to the audit, their review of internal controls and their identification and discussion of key audit matters;
- its assessment of the effectiveness of the annual audit and the external auditor's performance, competence, independence and the appropriateness of their remuneration;
- the selection, appointment, rotation or removal of the external auditor or an external audit partner;
- any proposal by the external auditor to provide non-audit services and consider whether it might compromise the independence of the external auditor; and
- all representation letters from management and management's response to the external auditors findings and recommendations.

### 4.3. Internal Audit

The Committee will review and make recommendations to the Board in relation to:

- the appointment, removal and remuneration of the internal auditors and the senior internal audit manager (if applicable);

- the scope of the internal audit framework and function and whether it is effectively resourced (including determining whether the internal audit function is to be provided by an internal or external provider);
- the internal audit work plan including nature, approach, scope and cost (where applicable) before each audit commences;
- the objectivity, performance and effectiveness of the internal audit function;
- the reports prepared by the internal auditors relating to the audits and their review of internal controls; and
- management's response to the internal auditors findings and recommendations.

#### 4.4. Risk

- The Committee will review and make recommendations to the Board in relation to:
- the Group's Risk Management Framework and system of risk management which may include a Risk Appetite Statement, a Risk Management Strategy and appropriate Risk Limit Reports;
- the effectiveness of policies and procedures for the management of risk (financial and non-financial) assessed using a program of audits by the internal and external auditors;
- whether proper remedial action is undertaken to address identified areas of weakness;
- the risks identified in Risk Registers and Risk Limit Reports to ensure that all significant and material risks are reported to the Board;
- ensuring that a whistleblower facility is maintained and communicated across the Group with encouragement to voluntarily report breaches and other incidents;
- all incidents involving actual or alleged fraud or other breakdown of internal controls; and
- policies and culture with respect to prescribed Group ethical standards and practices (including the Code of Conduct).

#### 4.5. Compliance

The Committee will review and make recommendations to the Board in relation to:

- the systems and procedures in place to ensure compliance with laws and regulations including those that have a potential major impact such as trade practices, occupational health and safety, the environment and financial services laws;
- the systems and procedures to ensure compliance with corporate governance processes including insider trading laws, continuous disclosure requirements and requirements under the ASX Listing Rules, Corporations Act and AASB requirements;
- all material documents and correspondence before submission to Regulators;

- compliance breaches identified in Compliance Breach Reports ensuring all significant and material compliance breaches are reported to the Board; and
- assessing the adequacy and effectiveness of the Group's legal, regulatory and ethical compliance programs in conjunction with the external and internal auditors.

## **5. Review**

The Board will, at least once in each year, review the membership and Charter of the Committee to determine its adequacy for current circumstances and the Committee may make recommendations to the Board in relation to the Committee's membership, functions or otherwise.

## **6. Administrative Matters**

### **6.1. Meetings**

The Committee shall determine the frequency of meetings, but it would be expected that as a minimum meetings would be held at least twice per year.

At least once per annum the members of the Committee will meet with the external auditors in the absence of employees and executive management.

### **6.2. Quorum**

Two Directors shall constitute a quorum for meeting of the Committee.

### **6.3. Convening and notice of meeting**

Any member may, and the Company Secretary must upon request from any member, convene a meeting of the Committee. Notice will be given to every member of the Committee, of every meeting of the Committee, at the member's advised address for service of notice (or such other pre-notified interim address where relevant). However, there is no minimum notice period and acknowledgement of receipt of notice by all members is not required before the meeting may be validly held.

### **6.4. Agenda**

The Committee Chair will determine the meeting agenda after appropriate consultation.

### **6.5. Access to information and advice**

The Committee has the authority to:

- access management, seek information from any employee or relevant external party and to conduct investigations to fulfil its objectives and responsibilities;
- require management or others to attend meetings and to provide any information or advice that the Committee requires;
- access the Group's documents and records;
- obtain the advice of independent counsel, accountants or other experts, without seeking the approval of the Board or of management; and

- directly contact internal and external auditors and oversee and coordinate their activities.

The Committee Chair will receive:

- concurrently all final reports between management and the internal and/or external auditor; and
- all reports made pursuant to the Whistleblower Policy.

## **6.6. Reporting**

The Committee chair will prepare a report of the actions of the Committee to be included in the Board papers for the Board meeting next following a meeting of the Committee.

The Committee Chair will also, if requested, provide a brief oral report as to any material matters arising from the Committee meeting. All directors will be permitted, within the Board meeting, to request information of the Committee Chair or members of the Committee.

## **7. Conflicts of Interest**

Members of the Committee will not participate in discussions and will not vote on any issue in respect of which there is an actual or perceived conflict of interest. Any member of the Committee with a material personal interest in a matter being considered at the meeting must not be present for consideration of that matter.