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## CORPORATE GOVERNANCE

### Audit, Finance & Risk Committee Charter



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## 1. ROLE

- ✔ The role of the Audit, Finance & Risk Committee (Committee) is to assist the Board of Directors (Board) fulfil the corporate governance and overseeing responsibilities in relation to financial reporting, accounting policies, financial management, internal controls, risk management, business policies and procedures, protection of assets and compliance with laws and regulations of Valmec Limited (Company);
- ✔ In fulfilling its obligations, the Committee is to provide advice and recommendations to the Board within the scope of its terms of reference as outlined in this charter;
- ✔ The Committee is also to provide an open avenue of communication between the external auditor and the Board.

## 2. COMMITTEE MEMBERSHIP

The Committee is to be appointed by the Board and is to be composed of:

- ✔ At least two non-executive Directors, and where possible the majority should be independent;
- ✔ Financially literate members of which at least one must have a comprehensive financial background;
- ✔ A Chairman appointed by the Board who is an independent non-executive director and not the Chairman of the Board.

## 3. DUTIES & RESPONSIBILITIES

### 3.1 External Audit

In fulfilling its obligations in relation to the external audit, the committee is to:

- ✔ Consider and make recommendations to the Board on an annual basis as to the appointment and re appointment of external auditors and their level of remuneration;
- ✔ Discuss and agree the scope of the audit or review with the external auditor prior to each engagement;
- ✔ Review and discuss with the external auditor any significant matters which are raised by the external auditor including deficiencies in controls or procedures;
- ✔ Review managements response to reports prepared by the external auditor;
- ✔ Review all representation letters signed by management;
- ✔ Approve any non-audit services to be provided by the external auditor;
- ✔ Keep under review the Company's relationship with the external auditor, including (but not limited to):
  - Their independence and objectivity;
  - The audit fees;
  - The nature and quantum and fees of non-audit services provided by the external auditor;
  - Compliance with the accounting standards.

### 3.2 Financial Reporting

In fulfilling its obligations in relation to financial reporting, the committee is to:

- ✔ Review all financial information and reporting ensuring compliance with regulatory requirements prior to their public release;
- ✔ Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- ✔ Obtain statements from the chief executive officer and the chief financial officer in relation to external reporting stating 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, are in accordance with relevant accounting standards and are founded on a sound system of risk management and internal compliance and control;
- ✔ Review financial statements with particular reference to:
  - Critical accounting policies and practices and the impact of any changes;
  - Decisions requiring a major element of judgment;
  - The extent to which the financial statements are affected by any unusual transactions;
  - The clarity of disclosures;
  - Significant adjustments resulting from the audit;
  - The going concern assumption;
  - Compliance with accounting standards, Corporations Law, ASX and other legislative and reporting requirements.
- ✔ Recommend to the Board whether the financial and non-financial statements should be signed based on the committee's assessment of them.

### 3.3 Internal Control and Risk Management

In fulfilling obligations relating to internal control and risk management, the committee is to:

- ✔ Evaluate the framework, adequacy and security of internal control, accounting and management information systems;
- ✔ Evaluate the adequacy and effectiveness of the Company's administrative, operating and accounting policies through active communications with management and the external auditor;
- ✔ Evaluate and monitor significant risks or exposures and steps taken to minimise such risks;
- ✔ Approve the policies for the management of internal control and risk management;
- ✔ Review and monitor the standard of corporate conduct in areas such as related-party transactions and potential conflict of interest;
- ✔ Evaluate and monitor compliance with laws, regulations, standards and best practice guidelines including trade practices, privacy obligations, asset protection, industry specific legislation, discrimination, harassment and ethical standards;
- ✔ Evaluate and monitor the Company's exposure to fraud and theft.

### 3.4 Other

In addition to specific areas already covered, the Committee is to:

- ✔ Review its own performance and charter on a regular basis to ensure it is operating effectively;
- ✔ Identify and direct any special requirements or investigations deemed necessary;
- ✔ Perform other oversight functions as requested by the Board.

## 4. AUTHORITY

The Committee is authorised to:

- ✔ Seek any information it requires from any employee of the Company and from the external auditor to perform its duties;
- ✔ Subject to consultation with the Chairman of the Board, obtain outside legal or other independent professional advice on any matters within its Charter at the Company's expense;
- ✔ Approve administrative, operating and accounting policies and procedures as well as auditing methodology. Issues of material importance however will be referred to the board.

## 5. REPORTING

The Committee is to:

- ✔ Formally report to the Board at the next Board meeting, on the proceedings of the Committee meeting, including:
  - The committee's minutes;
  - Any formal resolutions and recommendations which require Board endorsement or approval;
  - Information about the audit/review process and the results of internal and external audits or reviews;
  - Any determination by the committee about the external auditor's independence;
  - Other matters the committee believes need to be reported to the board.
- ✔ Provide the Board an annual written report containing matters relevant to the committee's role and responsibilities under this charter including a review of the committee's charter and its achievement of the charter;
- ✔ Prepare any external reports required for compliance with laws and regulations.

## 6. MEETINGS

- ✔ The Committee is to meet at least 4 times a year and such additional meetings as the Chairman of the Committee decides are necessary in order for the Committee to fulfill its duties;
- ✔ An agenda and any supporting documentation will be circulated to members of the Committee in advance on meetings;
- ✔ The Company Secretary will be responsible for keeping minutes of the meeting of the Committee and circulating them to members;
- ✔ A quorum shall consist of a majority of Committee members;
- ✔ The Managing Director, CFO and external audit partner are to attend at the discretion of the Committee.

## 7. APPROVAL

This charter was approved by resolution of the Valmec Limited Board:

  
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Steve Droupulich, Managing Director  
Date: 21 July 2015