



Board Audit Committee  
June 2018

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## 1. Objectives

The objectives of the Board Audit Committee (the “BAC”) are to oversee external and internal audit activities for risk management and financial reporting. The BAC is principally responsible for the:

- Review of the effectiveness of financial reporting and its place within the risk management framework and related systems
- Oversight of external audit and regulatory inspections
- Review of audit and other recommendations provided to the BAC
- Maintenance of BAC Charter, composition, role and responsibilities of the BAC in accordance with governance requirements
- Monitoring of audit independence
- Oversight of frameworks and policies for accounting, internal control, compliance, and audit activities
- Maintenance of a confidential process for employees to report concerns within the Whistleblower policy
- Review of Internal fraud, financial and operational errors and internal control deficiencies
- Financial reporting and disclosure review
- Oversight and review of Tax matters

Other

- Facilitating the appropriate access and communication between the BAC, internal and external audit, regulators and management.

Where relevant, the key regulatory standards are provided throughout the document and in Appendix A to this Charter. Appendix A also outlines the primary areas of responsibility for the BAC.

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## 2. Membership

The BAC shall comprise at least three members, all of whom are non-executive Directors. A majority of the members must be independent.

Each member should be capable of making a valuable contribution to the BAC, must be financially literate, and at least one member must have financial expertise.

The Board shall seek guidance from the BAC on recommended appointments to the BAC. The Board will appoint members annually.

The Chair of the BAC will be an independent Director as nominated by the Board from time to time. The Chair should be a member of the Board Risk and Compliance Committee (BRCC) and the Chair of the BRCC should be a member of the BAC.

If considered appropriate, the Chair of the Board may be an ex officio, non-voting member of the Committee but cannot be the Chair of the BAC or BRCC.

## 3. Invitees

The Committee may invite the External Auditor to meetings. The following invitees are also to attend BAC meetings:

- Managing Director
- Chief Financial Officer
- Group Financial Controller

Other Senior Management may be invited as appropriate.

## 4. Meetings

The BAC shall hold at least four meetings per year and may meet whenever necessary as the Chair shall decide. A quorum shall consist of a majority of members. Upon approval by the BAC Chair, members may attend meetings by electronic means.

In the Chair's absence, the members present at the meeting may elect a Chair for the meeting. Any matters requiring a decision will be decided by majority vote by the members present.

The notice and agenda of the meeting sent should include relevant supporting papers as appropriate.

The BAC may meet with the External Auditors, in the absence of Management.

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## 5. Minutes

The Company Secretary will be appointed to keep minutes of meetings. The Chair shall approve draft minutes for inclusion in GUD Holdings Ltd Board papers in a timely manner. The minutes, or relevant extracts from them, will be provided to the External Auditors.

## 6. Duties and Responsibilities

The function of the BAC is oversight. It is recognised that members of the BAC are not full time employees and generally do not represent themselves to be experts in the fields of accounting or auditing. As such, it is not the responsibility of the BAC to conduct accounting or auditing reviews.

In discharging its responsibilities to the Board, the BAC shall consider any matters relating to the financial affairs, internal control and compliance issues that it determines to be appropriate.

The Company implements its Risk Management Framework in accordance with the Three Lines of Defence approach to risk management:

- First line of defence: Management Control
- Second line of defence: Risk Control and Compliance oversight functions (including BAC and BRCC)
- Third line of defence: Independent Assurance (i.e. External Audit)

The BAC shall work in collaboration with the BRCC as set out in the Segregation of Duties and Responsibilities (Attachment 1).

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## 6.1 Financial Reporting

To oversee and monitor the Company's financial reporting activities. These responsibilities include:

- a. Monitor the operating effectiveness of the framework, strategies and management information systems related to internal controls over financial reporting, tax and regulatory compliance. For the purposes of clarity this includes the operating effectiveness of controls designed to address:
  - Financial Reporting Risks;
  - Tax Risks; and
  - Legal, Compliance & Regulatory (including anti-money laundering requirements)
- b. Examine half-year and year-end financial statements in order to recommend their approval by the Board, focusing on:
  - Any changes in accounting policies and practices
  - Major judgemental areas
  - Significant adjustments resulting from the audit
  - Compliance with accounting standards and Corporations Act requirements
  - Compliance with statutory and legal requirements
  - Reports prepared by Management for release to stakeholders
- c. Review with Management and/or the internal auditors the control environment for assets and information systems, and the plans for enhancement of operations.
- d. Review and monitor the systems, processes and controls that are in place to maintain the integrity of the financial records and reporting.
- e. Review and approve dividend recommendations regarding solvency requirements and relevant aspects of the Corporations Act.
- f. Review and Monitor debt covenants compliance

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## 6.2 Regulatory Reporting

- a. Review of all significant transactions that do not form part of normal business with respect to financial reporting, tax and regulatory compliance.
- b. Monitor the operating effectiveness of relevant compliance processes with regulatory and/or statutory requirements. This will include financial reporting and disclosures made to regulators and responses to regulatory inspection comments.
- c. Review any current and pending litigation which may have financial risk exposure.

## 6.3 Internal Assurance activity

- a. Approve the annual internal assurance programme by business.
- b. Monitor the progress of the internal assurance work program and consider the implications of review findings for the control environment;
- c. Monitor and assess management's responsiveness to internal assurance review findings and recommendations;

## 6.4 External Auditors

- a. Agree annually with the External Auditor the nature, scope and timing of external audit activities and whether the auditor continually meets the audit independence tests set out in APES 110, Code of Ethics for Professional Accountants.
- b. Review the external audit programmes for coverage of risks and financial reporting.
- c. Consider the External Auditor's reports to those charged with governance and Management's response, including rectification of issues. The Board Audit Committee will review issues arising from the audit and any other matters the auditor may wish to raise.
- d. Assess the external audit evaluation of the adequacy and effectiveness of the financial and risk management framework and financial reporting requirements.
- e. Assess the audit quality in line with ASIC guidance (Information Sheet 196).
- f. Provide the External Auditor with the opportunity to raise matters directly with the Board.
- g. Review annually the External Auditor's engagement and make recommendations as necessary to the Board concerning compensation, appointment and removal of the External Auditor.

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- h. Pre-approve all audit and non-audit services provided by the External Auditor, except for specified services which management has authority to approve. For reference attached as Appendix A, is the policy “External Auditors - Performing Additional Services for GUD Holdings Ltd”.

An individual external audit signing or review partner or any other partner who plays a significant role in the external audit, for five successive years cannot play a key role in the audit until at least a further two years have passed.

## 6.5 Taxation

- a. Receive and consider the external advisors annual overview of the Company’s taxation arrangements and processes including the setting of appropriate tax Policy and strategies. Make recommendations or comments to the Board as required.
- b. Review taxation advice and services to the Company as required.
- c. Consider reports from other professional financial services providers, such as taxation services

## 6.6 Other

- a. Request and/or review special audits or investigations as may be necessary, including any valuations, investment proposals and acquisition or equity raising due diligence exercises.
- b. Consider other matters, as referred to the BAC by the Board.
- c. Oversee the confidential process to allow employees to submit their concerns about accounting, internal controls, compliance, audit and other matters. Employees may choose to make confidential and/or anonymous submissions. The BAC will oversee the process making employees aware of these policies.
- d. Review and monitor the propriety of any related-party transactions;



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## 7. Authority and Access

The Board authorises the BAC to:

- a. Perform activities within its charter.
- b. Have free and unfettered access to Senior Management, the heads of all risk management functions and the External Auditor, and vice versa, as well as seek any information it requires from the Managing Director or Senior Management or any employee as required.
- c. Seek any information it requires from internal auditors (if any) and External Auditors.
- d. Obtain outside legal or other professional advice to assist in undertaking its responsibilities.
- e. Carry out investigations on behalf of the Board.

The BAC shall have access to the Company Secretary.

## 8. Reporting

The BAC shall record proceedings of each meeting and provide a report to the Board, in a form agreed by the Chair of the Board.

## 9. Relationships

- a. The BAC will take advice and where relevant receives reports from the Executive Group and any Management Steering Committee.
- b. The Chair of the BAC will liaise at least annually with the Chair of the Board Risk and Compliance Committee to oversee key Risk Management issues, policies and processes.
- c. The BAC will make recommendations to the Board on financial integrity, the effectiveness of internal compliance and internal control systems. The BAC will work with the BRCC on policy proposals as they relate to the BAC and BRCC.
- d. The BAC will have a reporting line from the internal auditors (if any) and External Auditors, who will have unfettered access to the Committee.

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## 10. Committee's performance evaluation

The BAC will review its performance annually and report the review results to the Board. If required by the Board the performance evaluation may be carried out by an external party appointed by the Board.

## 11. Review Charter

The BAC will review its Charter at least every 2 years (or earlier if required). Any amendments to this Charter will be approved by resolution of the Board.

*Approved 21 June 2018*