



O V A T O

**AUDIT & RISK MANAGEMENT
COMMITTEE CHARTER**

APPROVED BY BOARD – JUNE 2014



	AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER
	Version: June 14
Approved by: Board	Last update: 06/2014

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As approved by the Ovato Limited Board of Directors.

1. Committee Organisation

The Board of Directors' of Ovato Limited have established an Audit and Risk Management Committee.

This Charter governs the operations of Ovato Limited's Audit and Risk Management Committee. This Charter sets out the specific responsibilities delegated by the Board to the Committee and provides support for the manner in which the Committee will operate.

The Committee shall review and reassess the Charter at least annually and obtain the approval of the Board of Directors should any changes be required.

2. Authority

In executing its responsibilities, the Audit and Risk Management Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company.

The Committee has unlimited access to internal and external auditors and senior management. It also has the Board's authority to:


- seek information it requires from employees and external parties, without management present;
- obtain, with approval of the Chair of the Board outside legal or other professional advice; and
- monitor Company officers

3. Role of the Audit and Risk Management Committee

The role of Ovato Limited's Audit and Risk Management Committee is to provide assistance to the Board in fulfilling its corporate governance and oversight responsibility in relation to:

- financial reporting;
- internal control structure;
- risk management systems;
- health, safety and the environment; and
- internal and external audit functions;

In doing so, it is the responsibility of the Committee to maintain open and free communication between the Committee, external auditors, the internal auditors and the management of the Company.

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Ultimate responsibility for the integrity of the financial reporting and risk management rests with the full Board.

4. Access to the Charter

All Board Directors and Committee members, management, and internal and external auditors have access to this Charter. It is also available, upon request, to shareholders and other interested parties.

5. Composition

The Committee will include members who are financially literate; at least one member shall have relevant qualification and experience (qualified accountant or other financial profession with experience of financial and accounting matters); and some members shall have an understanding of the industry in which Ovato operates.

The Committee will be structured so that it:

- consists of a majority of independent Directors
- is chaired by an independent chair, who is not chair of the Board
- has at least three members.

6. Appointment

The Board will appoint the Chair and members of the Committee and formally approve all changes to members and their remuneration.

7. Secretary


The Secretary to the Board shall be the Secretary to the Audit & Risk Management Committee.

8. Meetings

8.1 Frequency

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

The Chair is required to call a meeting of the Audit & Risk Management Committee if requested to do so by the Chair of the Board, any Audit & Risk Management Committee member, the internal auditor or the external auditor.

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8.2 Quorum

The quorum for a meeting shall be a minimum of two Directors. All meetings shall be conducted subject to an agenda to which Audit & Risk Management Committee members, internal audit and external audit have been given the opportunity to contribute.

8.3 Minutes

The Secretary shall maintain Minutes of all meetings of the Audit & Risk Management Committee. The Minutes shall be signed by the Committee Chair.

8.4 Attendance

The Chair of the Ovato Limited Board, if not a Committee member, has an open invitation to attend all meetings. Representatives of the internal and external auditors and Company management will also attend at the Committee’s discretion.

To ensure the Committee is aware of the views of the Company’s management, where possible the CEO and CFO will attend each meeting.

Whilst any other Company Director(s) or management may attend Audit & Risk Management Committee meetings, they shall have no voting rights.


8.5 Non-Consensus

Where the Audit & Risk Management Committee is unable to reach consensus on a matter, the Committee Chair shall report this to the Chair of the Board. The Chair of the Board shall put the matter to the Board.

9. Performance Appraisal

The members of the Audit & Risk Management Committee shall appraise the Committee’s performance and the Committee Chair shall report to the Board on the Committee’s performance on an annual basis.

The performance of the Committee shall be measured against this Charter and other relevant criteria as approved by the Board.

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10. Responsibilities

The specific responsibilities of the Audit & Risk Management Committee include making recommendations to the Board in relation to the following:

10.1 Financial Accounting

The Committee is responsible for reviewing and making recommendations to the Board in relation to all significant accounting policy changes and for evaluating the adequacy and effectiveness of the Company's:

- administrative, operating and accounting policies;
- management information and accounting control system;
- policies to reduce exposure to fraud.

To this end, it will actively communicate with management and internal and external auditors, review written reports and monitor management's responses to correct deficiencies. It will also require reports on any significant proposed regulatory, accounting or reporting issues, or any breaches of the Treasury Charter.

10.2 Ethical Compliance

The Committee is responsible for reporting to the Board in relation to the attention management pays to ethical considerations in implementing the Company's policies and practices as outlined in the Company's Code of Conduct. It also monitors the standard of corporate conduct in areas such as arms-length dealings and likely conflicts of interest.

10.3 Related party transactions

The Committee is responsible for reviewing and monitoring related party transactions, assessing their propriety and reporting inappropriate transactions to the Board.

10.4 Other responsibilities:


The Committee is responsible for undertaking assignments, special projects and investigations, as directed by the Board.

10.5 Risk Management

The Audit and Risk Management Committee is to provide assistance to the Board in fulfilling its corporate governance and oversight responsibility in relation to risk management.

Those responsibilities include:

- Reviewing the Company's policies on risk oversight and management and reporting to the Board the extent to which management has developed and implemented a sound system of risk management and internal control.

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- Reporting to the Board on the extent to which management has designed and implemented a risk management and internal control system to manage the Company’s material business risk. In doing so the Committee requires that management report to it on whether those risks are being managed effectively.
- Reporting to the Board the finding of the Committee’s review of the effectiveness of the implementation of those systems at least annually. The Committee may need to request assurances regarding the management of the material business risks.
- Reporting to the Board the finding of the Committee’s evaluation of the processes for determining and managing key risk areas;
- Reporting to the Board the finding of the Committee’s evaluation of the process for assessing and continuously improving internal controls, particularly those related to areas of material risk; and
- Reporting to the Board the finding of the Committee’s evaluation of the effectiveness of and compliance with the Company’s Code of Conduct.

It will assess whether the Company has an effective risk management system and that major risks are reported to the Board.


To this end, the Committee will meet periodically with key management, internal and external auditors and compliance staff to understand and discuss the control environment.

It will also require periodic reports from nominated senior managers confirming the risk management system is operating correctly and detailing material risks.

10.6 Occupational Health and Safety (OHS) and Environmental Risk Management

The Committee is to provide advice and make recommendation to the Board to enable it to discharge its responsibilities, having regard to the law and the highest standards of governance by:

- Reviewing the systems and processes in place that ensure management comply with health, safety and environmental legal and regulatory requirements;
- Recommending to the Board OHS and Environmental policies that clearly sets out the commitments of the company to manage OHS and environmental related matters effectively;
- Ensuring appropriate management reporting and control systems are in place to enable health, safety and environmental compliance to be monitored;
- Monitoring the performance of the Company with respect to the implementation of an OHS and environmental management system designed to ensure commitments made in the policies are being met and

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that HSE related risks are being assessed, eliminated, avoided or controlled;

- Ensuring adequate internal and external audit of the effectiveness of the HSE processes and systems is undertaken and findings are reported to the Board;
- Reviewing and recommending targets for OHS and environmental performance and assessing progress by the company towards those targets;
- Reviewing and fostering strategies and plans to improve the Company’s performance in health, safety and environmental;
- Review and investigating, as deemed necessary, OHS and environmental incidents within the Company and considering appropriate actions and measures to minimise the risk of recurrence;


10.7 External Reporting

The Committee is to provide advice and make recommendation to the Board in relation to the accuracy and integrity of the following documents before they are released publicly:

- all financial and regulatory reports;
- the annual financial statements and reports; and
- the half-yearly and annual formal announcement of results to the Stock Exchange.

The Committee will also review:

- any correspondence from regulators and others regarding the Company’s financial reporting or related matter and monitor management’s response to them;
- significant transactions outside the Company’s normal business; and
- major outstanding contingent liabilities, including existing and potential legal actions against Ovato Limited or its Board of Directors

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10.8 Internal Audit

The Audit and Risk Management Committee responsibilities include:

- Assessing the internal audit resource requirements and recommending to the Board the internal or external (out-sourced) provision of internal audit services.
- Appraising and approving the strategic and annual audit plans and work programme of the internal auditor and, as necessary, communicate the Committee’s expectations to the internal auditor in writing.
- Monitoring and assessing the performance and effectiveness of the internal auditor through internal audit reports and from management feed-back.
- Reviewing and monitoring management’s responsiveness to the internal auditor’s findings and recommendations.
- Overseeing the coordination of the internal and external auditors.

10.9 External Audit Services


The Audit and Risk Management Committee responsibilities include:

- Reviewing and agreeing the terms of engagement of the external auditor at the commencement of each audit.
- Reviewing the scope of the external audit with the auditor, including identified areas of risk, and additional procedures if required.
- Reviewing the external auditor’s fee and ensuring that a comprehensive and complete audit can be conducted for the agreed fee.
- Evaluating the performance of the external auditors
- Reviewing the auditor’s findings and managements’ responsiveness thereto, discussing with the auditor any matters involving disagreement whether resolved or otherwise.
- Meeting with the external auditors, at least annually, without management present.
- Reviewing and assessing any management recommendation and, in accordance with this policy or otherwise, considering the prospect of: auditor replacement; tender for auditor services as required; and making appropriate recommendations to the Board.
- Ensuring the rotation of the audit partner, and other persons playing a significant role in the audit, at intervals not exceeding 5 years.

10.10 Ensuring external auditor independence

The Board has specifically stipulated in relation to external auditor independence that:

- Past or present lead audit partners of the firm currently engaged as the Company’s external auditor are not eligible for appointment to the Board.
- The lead audit partner will be required to rotate off the audit after their involvement for a maximum of five years, and there will be a period of at least three years before that partner can be involved in the audit again.

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In addition, the Committee will require the external auditors to confirm, in writing, that they have complied with all professional and regulatory requirements relating to auditor independence.

The Committee will also periodically assess the relationships and services provided by the external auditors and others that may lead to actual or perceived lack of independence.

10.11 Provision of Non-Audit Services by External Auditors

The Board of Ovato believes it is not appropriate for the external auditor to express an opinion on its own work. The external auditors will therefore not provide investigations or consulting services that conflict with the role of statutory auditor.

Examples of services that the external auditor should not provide include:


- Preparing accounting records and financial statements
- Designing and implementing new IT systems and financial controls
- Valuation services in relation to amounts included in the Company’s accounts
- Actuarial Services
- Internal Audit Services
- Management functions, including senior management secondments
- Recruitment and Human Resource services
- Broker, Dealer or Investment Advisor Services
- Legal Services

The external auditors may be permitted to provide non-audit services where their detailed knowledge of the Company’s activities could permit cost and output efficiencies, provided stringent independence requirements are satisfied. These services, that must to be approved by the Chair of the Committee and reported to the Board, include:

- Strategic tax advice
- Due diligence on potential acquisitions / investments
- Corporate finance advice (deal structuring and execution) including Independent Accountant’s Statements.
- Tax compliance services
- Advice on applying appropriate accounting standards
- Audits or verification of regulatory returns.

11. Reporting Requirements

The Audit and Risk Management Committee should report to the Board via reference to minutes and resolutions and other reports. The report should contain all matters relevant to the Committee’s role and responsibility, including matters relating to:

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11.1 External Reporting

- Assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholders needs
- Assessment of the management processes supporting external reporting.

11.2 External Audit

- Procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners
- Recommendations for the appointment or; if necessary, the removal of the external auditors
- Assessment of the performance and independence of the external auditors.
- Where the external auditor provides non-audit services, the report should state whether the Audit and Risk Management Committee is satisfied that provision of those services has not compromised the auditor's independence.

11.3 Internal Audit

- Assessment of the performance and objectivity of the internal audit function
- Recommendations for the appointment or; if necessary, the dismissal of the Group Risk Manager.

11.4 Risk Management

- The results of the Committee's review of Risk Management and Internal Control Systems.

11.5 Occupational Health and Safety and Environment

- The results of the Committee's review of OHS and environment systems, processes and related risks management systems

11.6 Other Key Activities

- The results of other key activities and major issues of which the Committee assesses that Board should be informed of.