



## Terms of Reference - Audit Committee

<b>Policy name</b>	Terms of Reference – Audit Committee		
<b>Version</b>	1.1	<b>Status</b>	Approved by Board of Directors
<b>Communication</b>	To all Directors	<b>Date</b>	21 January 2013

Australian Graduate School  
of Leadership Pty Ltd

IMIA Centre for Strategic  
Business Studies Pty Ltd

31/88 Phillip Street  
Sydney NSW 2000

f: +61 2 8211 0637  
t: +61 2 9233 4200

frontdesk@imia.edu.au

abn: 92 001 268 659  
95 000 855 578

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### Purpose

The Audit Committee (the “Committee”) is established as a committee of the Board of Directors. The purpose of the Committee is to assist the Board of Directors of AGSL in fulfilling its responsibilities in respect of:

- Overseeing AGSL’s financial reporting process, including the internal control structure and procedures for financial reporting and monitoring the integrity and appropriateness of AGSL’s financial statements;
- The manner in which AGSL management ensures and monitors the adequacy of financial, operational and compliance internal controls and risk management processes designed to manage significant risk exposures; and
- The selection, compensation, independence and performance of AGSL’s external auditors.

### Composition and meetings

The Committee shall comprise not less than two non-executive Directors. All members of the Committee shall be independent. All members of the Committee shall have financial literacy and at least one member shall have recent and relevant financial experience.

The Board of Directors shall appoint a Chairman and other members of the Audit Committee for a period of three years for a maximum of two three year terms from among the members from time to time. The Company Secretary or his/her nominee shall be the Secretary to the Committee.

The Committee shall meet not less than four times per annum and more frequently as circumstances require. The external auditors may request a meeting if they consider that one is necessary. A quorum of the Committee shall be two members.



Directors who are not members of the Committee, the Company's senior management, the internal auditor and representatives of the external auditors shall be available to attend when required.

The Chairman of the Committee shall be prepared to respond to any shareholder questions on the Committee's activities. The Committee shall meet at least once each year with only the external auditors present.

### **Authority and responsibilities**

The Committee has full authority to investigate all matters that fall within these Terms of Reference.

The Committee is accountable to the Board of Directors and shall not be entitled to sub-delegate all or any of the powers and authority delegated to it (except for the authority to pre-approve non-audit services from the external auditors which, in certain circumstances, is delegated to any one member of the Committee). In discharging its responsibilities, the Committee shall have unrestricted access to the Company's management, books and records and shall be entitled to receive such information as it requires from any employee. All employees shall be directed to co-operate with any request made by the Committee.

The Board of Directors and external auditors are accountable to shareholders. The Committee, as a committee of the Board of Directors, is responsible for selecting the external auditors for recommendation to the Board of Directors and appointment by the shareholders. The Committee is directly responsible for the compensation and oversight of the external auditors.

It is the responsibility of the management of AGSL to prepare financial statements in accordance with generally accepted accounting principles and of the external auditors to audit those financial statements. The Committee's responsibility is one of oversight and, in fulfilling their responsibilities, it is recognised that the members of the Committee do not represent themselves to be accountants or auditors by profession. As such, it is not the duty of the Committee or its members to conduct auditing or accounting reviews or procedures.

The Committee shall:

- Review the adequacy of these Terms of Reference and the Committee's own effectiveness annually, reporting any proposed changes to the Board of Directors for review and approval.
- Review and approve the external auditors' terms of engagement, proposed fees and planned audit scope.



- Monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, assisting the Board of Directors' oversight of the Company's compliance with applicable legal and regulatory requirements in this respect.
- Review with management and the external auditors:
  - The Company's financial statements, including the business review and corporate governance statements relating to the audit and to risk management, including a review as to whether the disclosures made are properly in context;
  - All the Company's critical accounting policies and practices used, including their application and quality;
  - Findings from the interim and final audits, significant audit and accounting judgements and compliance with accounting standards, alternative treatments of financial information within GAAP that have been discussed with management, the effect of the alternative treatments on the disclosed information and the auditors' preferred treatment; to any schedule of unadjusted differences arising from the audit, obtaining explanations as appropriate;
  - Any disagreements between management and the external auditors regarding financial reporting for the purpose of issuing the audit report, whether or not any such issues have been resolved;
  - Material written communications between management and the auditors relating to the audit, including representation and management letters;
  - Any financial matters brought to the attention of AGSL by the auditors.
- Review and discuss with management and the external auditors significant business risk exposures and the processes established to identify, monitor, control and report such exposures. Consider reports prepared by the external auditors, the Company Secretary and others as the Committee may request, on the operation of internal controls within the Company, any significant risk management failures and management's responses.
- As a part of the above review of business risk and internal control, annually evaluate the design and effectiveness of:
  - The internal control structure and procedures of the Company for the purposes of financial reporting;
  - Disclosure controls and procedures designed to ensure that information disclosed by the Company is properly accumulated and communicated to senior management to allow appropriate discussions regarding disclosure to take



place, reporting the results of this assessment to the Board of Directors.

- Oversee, monitor and review the strategic focus, activities and plans, staff numbers and qualifications and AGSL's budget.
- Apply the Policy, as approved by the Committee from time to time, including, inter alia:
  - Selecting the external auditors for recommendation to the Board of Directors and appointment by shareholders and agreeing their fees and other compensation and terms of engagement;
  - Considering any questions of resignation or removal of the external auditors;
  - Pre-approving audit and non-audit services to be provided by the external auditors, subject to confirmation by the Board of Directors;
  - Assessing annually the qualification, expertise and resources, and independence and objectivity of the external auditors and the effectiveness of the audit process, including the cost effectiveness of the audit and reporting to the Board of Directors the results of that review;
  - Reviewing annual written statements from the external auditors that:
    - Disclose all relationships between the auditors and the Company and report on the performance of non-audit activities, rotation of audit partners and staff, auditor relationships, employment of former auditors, including the confirmation of auditor independence; and
    - Describe the auditors' internal quality control procedures and any material issues raised by recent internal or external reviews or investigations relevant to services provided, together with any remedial action taken;
  - Reviewing with the external auditors any relationships or services that may impact on the independence and objectivity of the external auditors and taking, or recommend that the Board of Directors takes, appropriate action to ensure the independence of the external auditors.
- Establish, oversee and review procedures for the receipt, retention of information about and treatment of complaints relating to financial matters, internal accounting controls and auditing, including the confidential and anonymous submission by staff of concerns relating to questionable accounting and auditing matters.



- Set out in an annual report to the Board of Directors, inter alia, that it has reviewed the scope of the annual audit and the independence and objectivity of the auditors in accordance with the Policy and is satisfied that the integrity of the audit has not been compromised. The Committee will also recommend whether a report should be given to shareholders.
- Regularly report to the Board of Directors its conclusions with respect to the matters that the Committee has considered, including identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
- Consider any other matters, as may be delegated from time to time by the Board of Directors.

The foregoing list of duties is not exhaustive and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the effective performance of its oversight function.

The Committee is authorised to obtain, and determine the fees for, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, as it considers necessary. The costs of engaging independent counsel or other advisors will be borne by AGSL.

## Version Control

Version	Date	Who	Change Summary
1.0	25/6/2012	MG	Original version approved by Board of Directors
1.1	21/1/2013	MG	“Composition and Meetings” section; paragraph 2: added the bold text: “The Board of Directors shall appoint a Chairman <b>and other members of the Audit Committee</b> for a period of three years for a maximum of two three year terms from among the members from time to time. The Company Secretary or his/her nominee shall be the Secretary to the Committee.”