

# SENEX ENERGY LIMITED

ABN 50 008 942 827

## AUDIT & RISK COMMITTEE CHARTER

**Adopted 11 June 2014 by authority of the Board of Directors and amended 24 August 2015 and 20 February 2017 by resolution of the directors**



**Francis Leo Connolly**

**Company Secretary**

### DOCUMENT HISTORY

Approval date	Reason for change	Approved by
12 February 2013	General update	Board
11 June 2014	3 <sup>rd</sup> edition ASX Corporate Governance Principles and Recommendations	Board
24 August 2015	General Update	Board
20 February 2017	General Update	Board

## **1) Purpose of Charter**

The Senex Audit & Risk Committee (Committee) is a committee established by the Board of Senex with the specific powers delegated under this charter. This charter sets out the Committee's role, responsibilities, composition and procedures.

## **2) Role of Committee**

The primary function of the Committee is to assist the Board to fulfil its responsibility to ensure that the Company's internal control framework effectively and efficiently monitors, measures, guides and controls:

- significant business processes;
- acquisition, deployment and utilization of assets;
- incurring and discharge of liabilities;
- maintenance of business records;
- compliance with legislative, regulatory, contractual and social obligations;
- all material economic, environmental and social sustainability risks; and
- the adequacy, reliability and integrity of financial and other business information used by management, provided to the Board, or provided to shareholders and other stakeholders.

The Committee is not a policy making body, rather it assists the Board to implement policy. The Committee's role includes:

- responsibility for ensuring that the Company's accounting and reporting practices are adequate, effective and consistent with best practice;
- responsibility for overseeing the integrity of Senex's accounting and reporting practices, the independence of Senex's external auditors and the management of risk; and
- responsibility for overseeing implementation of and adherence to the Risk Management Policy and Compliance Policy by senior management.

The Committee must report to the Board on matters relevant to the Committee's role and responsibilities and will endeavour to ensure that the Board is regularly informed on the adequacy of the Company's processes for managing risk and compliance, general progress and operational activities. The Committee will promptly brief the Board on any significant matter (including the breakdown of any internal controls or material non-adherence to the Risk Management Policy or Compliance Policy by senior management).

## **3) Responsibilities of Committee**

The Committee will assist the Board to meet its oversight responsibilities in the following areas:

### **a) Integrity of financial statements**

- i. Review financial information prepared by management for external reporting, including the draft annual report, directors' report, annual financial statements, half yearly financial statements and any other financial information required by law to be externally reported to ensure they provide a true and fair view of the financial position and performance of the Company.
- ii. Monitor the integrity and effectiveness of financial reporting processes.

- iii. Receive representation letters from the Chief Executive Officer and Chief Financial Officer.
- iv. Review the appropriateness of the accounting policies adopted by management.
- v. Review implementation of legislated major accounting changes.
- vi. Review the effectiveness of the Company's financial reporting.

**b) External auditors**

i. *External audit arrangements*

- Periodically review the proposed terms of engagement for the external auditor.
- Consider and review the scope of work, reports and activities of the external auditor.
- Consider the performance of the external audit including assessment of the quality and rigour of the audit, quality of the service provided and the audit firm's internal quality control procedures.
- Review and assess non-audit services to be provided by the external auditor, with particular consideration to the potential to impair or appear to impair the external auditors' independence.
- Review and monitor management's responsiveness to external audit findings.
- Review and advise the Board on the nature, terms and extent of any formal representation or sign off required by the external auditor.
- Meet, at each audit reporting date, with the external auditor without the presence of management.

ii. *Appointment of external auditor*

- Annually consider the appointment of the external auditor and if a change in auditor is considered necessary, a formal tendering process may be undertaken. The Committee will identify the attributes required of an external auditor and will ensure the selection process is sufficiently robust so as to ensure selection of an appropriate external auditor. Any subsequent recommendation on the appointment of the external auditor will be put to the Board.
- Consider and review the scope of work reports and activities of the external auditor including interaction with the internal audit function (where this function exists).
- Review the appointment of the external auditor in conjunction with senior management. In selecting an external auditor, particular consideration will be given to determining whether the fee quote is sufficient for the work required, that the work is to be undertaken by people with an appropriate level of seniority, skill and knowledge and whether the work proposed is sufficient to meet the Company's needs and expectations. The appointment of a new external audit

firm will be placed before shareholders for ratification at the next annual general meeting after the appointment is made.

iii. *Assessment of independence*

- Establish and review policies as appropriate in relation to independence of the external auditor.
- Assess the independence and effectiveness of the external auditor, based on information received from the external auditor and management.

iv. *Rotation and succession planning*

The Committee will discuss with the external auditor the provisions the audit firm has in place for rotation of the lead engagement partner and the independent review partner. The Company may require that the lead engagement partner be rotated at least every 5 years and the review partner be rotated at least every 3 years. Where practicable change of lead engagement partner and independent review partner should not align.

**c) Risk management and internal controls**

- i. Assess the compliance with and effectiveness of the Company's internal control policies and procedures to identify, assess, report, monitor and manage risks. In particular the Committee must:
  - a. annually review the Company's risk management framework to satisfy itself and the Board that it continues to be sound;
  - b. ensure the Board discloses, in relation to each reporting period, whether such an annual review has taken place;
  - c. periodically review the Risk Management Policy and the Compliance Policy; and
  - d. periodically review the business continuity, disaster management and emergency management plans.
- ii. Receive and consider a management review of the Company's corporate risk register at each meeting of the Committee.
- iii. Assist the Board's oversight of the Company's risk management by understanding the way in which each major identified risk is managed.
- iv. Assess the effectiveness of the Company's system to identify, assess, manage and monitor risk.
- v. Assess the effectiveness of the Company's system to develop, implement, operate and monitor controls.
- vi. Assess the effectiveness of the Company's policies and systems to identify, assess, report, monitor and manage a conflict or potential conflict of interest on the part of the Company or any director, officer, employee or contractor. In particular the Committee will review any related-party transaction and assess the propriety of any related party transaction.

- vii. Review the effectiveness of the Company's system for monitoring compliance with legal, regulatory, contractual or social obligations with particular emphasis on major identified risks.
- viii. Receive and consider management's review of compliance matters at each meeting of the Committee to assess whether:
  - a. a system is in place and operating effectively to address key compliance risk areas;
  - b. a system is in place to enable compliance issues to be readily identified;
  - c. compliance related systems and procedures are adequately detailed and documented; and
  - d. weaknesses or breakdowns in compliance processes are appropriately dealt with.
- ix. Periodically review insurance coverage of Company assets, operations and activities, having regard to the business and the insurable risks associated with the business.

**d) Internal audit**

- i. Where there is no internal audit function, consider annually whether the Company needs an internal audit function including the adequacy of current processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.
- ii. Where there is an internal audit function, at each meeting of the Committee:
  - a. receive and consider a report from the internal auditor;
  - b. meet with the internal auditor without the presence of management.
  - c. assess the independence and effectiveness of the internal auditor, based on information received from the external auditor and management.

**4) Composition of Committee**

The Board shall appoint the members of the Committee and review the composition of the Committee at least annually. The Committee should comprise:

- a) at least three members;
- b) only non-executive directors, where possible;
- c) a majority of independent directors;
- d) an independent chair appointed by the Board and who is not the Chair of the Board; and
- e) where possible, members with sufficient financial skills and experience relevant to the Committee's functions.

The Company Secretary (or an appropriately qualified delegate) shall act as secretary for the Committee. The Secretary must take minutes of each meeting and these shall, where practicable, be included in the papers for the next full Board meeting after each Committee meeting.

## 5) Structure and Operation of Committee

### *Meeting*

The Committee:

- a) shall meet as frequently as required but at least three times per year;
- b) shall maintain a minimum quorum for a Committee meeting of two members; and
- c) may invite the Chief Executive Officer, the Chief Financial Officer and Executive General Managers to participate in meetings.

### *Access*

The Committee:

- a) may seek advice or assistance from external advisors or consultants to enable the Committee to fulfil its role;
- b) may seek independent external advice on matters brought before the Committee or in relation to the functions and responsibilities of the Committee; and
- c) shall have power to conduct and authorise investigation of any matter within the Committee's scope of responsibilities or when requested by the Board.

### *Authority*

In performing its functions in accordance with any applicable law, the Committee:

- a) will have unrestricted access to the external auditors, the internal audit function (where one exists), senior management and employees of the Company; and
- b) will have unrestricted access to information and reports relevant to fulfilling its responsibilities.

The Committee will seek Board endorsement, ratification or approval of any decisions within the scope of the responsibilities bestowed upon it.

## 6) Review of Committee Membership, Operation, Role and Responsibilities

The Board will, at least once every two years, review the membership, operation, role and responsibilities of the Committee to determine its adequacy and effectiveness for current circumstances. The Committee may make recommendations to the Board at any time in relation to the Committee's membership, operation, role and responsibilities.

## 7) Authority

This charter was adopted and approved by the Board of Directors on 11 June 2014, and amended by resolution of the Directors on 24 August 2015 and 20 February 2017.



Francis Leo Connolly  
Company Secretary  
**Senex Energy Limited**