



# Audit, Risk and Compliance Committee Charter

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**Integral Diagnostics Limited (Company)**  
**ACN 130 832 816**

**Date: 1 October 2015**



# Committee Charter

## 1 Membership of the Committee

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The Committee should consist of:

- (a) only non-executive directors;
- (b) a majority of independent directors;
- (c) an independent chair, who is not chair of the Board; and
- (d) a minimum of 3 members of the Board.

The Board may appoint additional non-executive directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

Non-committee members, including members of management and the external auditor may attend meetings of the Committee at the invitation of the Committee chair.

It is intended that the members of the Committee between them should have the accounting and financial expertise, and a sufficient understanding of the industry in which the Company operates, to be able to effectively discharge the Committee's responsibilities. At least one member should have relevant formal qualifications and experience (ie be a qualified accountant or other finance professional with experience of financial and accounting matters).

The Company Secretary must attend all Committee meetings as minute secretary.

## 2 Role & Responsibilities

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### 2.1 Overview

The Committee's key responsibilities and functions are to:

- (a) oversee the Company's relationship with the external auditor and the external audit function generally;
- (b) oversee the Company's relationship with the internal audit function generally;
- (c) oversee the preparation of the financial statements and reports;
- (d) oversee the Company's financial controls and systems; and
- (e) manage the process of identification and management of risk.

### 2.2 Audit

The Committee's primary roles in relation to the audit function are to review and make recommendations to the Board in relation to:

- (a) the reporting of financial information;
- (b) the appropriate application and amendment of accounting policies; and

- (c) the appointment, independence and remuneration of the external auditor.

The Committee also provides a link between the external auditors, the Board and management of the Company.

The following are intended to form part of the normal procedures for the Committee's audit responsibility:

- (d) Review the Company's corporate and financial reporting and disclosure processes and make recommendations to the Board in relation to the adequacy of those processes.
- (e) Review the Company's financial statements for accuracy, for adherence to accounting standards and policies, and to ensure they reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company, as a basis for recommendation to and adoption by the Board.
- (f) Receive and review reports of the external audit of the Company's financial statements.
- (g) Review and make recommendations to the Board in relation to the appropriateness of the accounting policies, judgements and choices adopted by management in preparing the Company's financial reports.
- (h) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and procedures for the confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.
- (i) Ensure that procedures are in place designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management.
- (j) Review and make recommendations to the Board in relation to the scope and adequacy of the external audit.
- (k) Review the effectiveness of the annual audit, placing emphasis on areas where the Committee or the external auditors believe special attention is necessary.
- (l) Review the scope, results, adequacy and effectiveness of the internal audit programs and the performance and objectivity of the internal audit function, including whether the internal audit team is adequately resourced and co-ordinated with the external auditor. Monitor the independence of the internal audit programs from the external auditors and management. Review the outcomes and approve the internal audit program.
- (m) Review and approve the appointment and dismissal of the head of internal audit.
- (n) Review the performance, independence and objectivity of the external auditors.
- (o) Review the procedures for selection and appointment of the external auditors and for the rotation of external audit engagement partners.
- (p) Assume responsibility for the appointment, compensation, the terms of engagement and other contractual terms of the external auditors.
- (q) Develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with that policy.
- (r) Provide advice to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of

independence, and an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the *Corporations Act 2001* (Cth) to be included in the Company's annual report.

## 2.3 Risk management and compliance

The Committee's specific function with respect to risk management and compliance are to review and report to the Board that:

- (a) the Committee has, at least annually, reviewed the Company's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk;
- (b) adequate policies and processes have been designed and implemented to manage identified risks;
- (c) a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- (d) proper remedial action is undertaken to redress areas of weakness.

The following are intended to form part of the normal procedures for the Committee's risk and compliance responsibilities:

- (e) Evaluating the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of balance sheet risks.
- (f) Evaluating the adequacy and effectiveness of the Group's financial and operational risk management control systems by reviewing risk registers and reports from management and external auditors.
- (g) Evaluating the structure and adequacy of the Group's business continuity plans.
- (h) Evaluating the adequacy and effectiveness of the Group's identification and management of economic, environmental and social sustainability risks and its disclosure of any material exposures to those risks.
- (i) At least annually, evaluating and making recommendations to the Board in relation to the structure and adequacy of the Group's insurance program having regard to the Group's business and the insurable risks associated with its business.
- (j) Reviewing and making recommendations to the Board on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies and the risk appetite that is appropriate for the Company.
- (k) Reviewing and making recommendations to the Board in relation to the risk disclosures in the Company's operating and financial review in its annual report.
- (l) Overseeing the establishment and maintenance of processes to ensure that there is:
  - (1) an adequate system of internal control, management of business risks and safeguard of assets; and
  - (2) a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control.
- (m) Evaluating the Group's exposure to fraud, overseeing investigations of allegations of fraud or malfeasance and making recommendations to the Board

in relation to any incident involving fraud or other break down of the entity's internal controls.

- (n) Reviewing the Group's main corporate governance practices for completeness and accuracy.
- (o) Reviewing the procedures the Company has in place to ensure compliance with laws and regulations (particularly those which have a major potential impact on the Company in areas such as trade practices, occupational health and safety, and the environment).
- (p) Reviewing the procedures in place to ensure compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes (including requirements under the ASX Listing Rules, Corporations Act and AASB requirements).
- (q) Advising the Board on the appropriateness of significant policies and procedures relating to financial processes and disclosures and reviewing the effectiveness of the Company's internal control framework.
- (r) Reviewing the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards.
- (s) Reviewing and discussing with management and the internal and external auditors the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.

### 3 Relationship with the external auditor

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The Committee provides a link between the external auditor and the Board and has the responsibility and authority for the appointment and removal of the external auditor and to review the terms of its engagement.

The Committee is responsible for overseeing the Company's external audit policy, a copy of which is attached as Attachment 1.

### 4 Relationship with the internal audit function

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The Committee provides a link between the internal audit function and the Board. The head of the internal audit function has a direct reporting line to the Committee and, therefore, to the Board.

The Committee has the responsibility of:

- (a) reviewing the internal audit function's objectives, competence and resourcing (including determining whether the internal audit function is to be provided by an internal or external party provider);
- (b) ensuring an appropriate program of internal audit activity is conducted each financial year;
- (c) reviewing and monitoring the progress of an internal audit and work program (without the presence of management);
- (d) overseeing the coordination of the internal and external audit; and
- (e) evaluating and critiquing management's responsiveness to the findings and recommendations of the internal audit function.

## 5 Rights of access and authority to management and auditors

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The Committee has rights of access to management and to auditors (external and internal) without management present, and rights to seek explanations and additional information from both management and auditors. Whilst the internal audit function reports to senior management, it is acknowledged that the internal audit function also reports directly to the Committee.

## 6 Review

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The Board will, at least once in each year, review the membership and Charter of the Committee to determine its adequacy for current circumstances and the Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.

## 7 Administrative matters

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### 7.1 Meetings

The Committee will meet as often as the Committee members deem necessary in order to fulfil their role. However, it is intended that the Committee will normally meet quarterly.

### 7.2 Quorum

The quorum is at least 2 members.

### 7.3 Convening and notice of meeting

Any member may, and the Company Secretary must upon request from any member, convene a meeting of the Committee. Notice will be given to every member of the Committee, of every meeting of the Committee. However, there is no minimum notice period and acknowledgement of receipt of notice by all members is not required before the meeting may be validly held.

### 7.4 Rights of access and authority

The Committee may seek the advice of the Company's auditors, solicitors or such other independent advisers, consultants or specialists as to any matter pertaining to the powers or duties of the Committee or the responsibilities of the Committee, as the Committee may require.

### 7.5 Minutes

Minutes of meetings of the Committee must be kept by the Company Secretary and, after approval by the Committee chair, be presented at the next Board meeting.

## **7.6 Reporting**

It is intended that a copy of the minutes of the Committee meeting will be included in the Board papers for the Board meeting next following a meeting of the Committee.

The Committee chair will, if requested, provide a brief oral report as to any material matters arising out of the Committee meeting. All directors may, within the Board meeting, request information of members of the Committee.

## External Audit Policy

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### Appointment

The Audit, Risk and Compliance Committee (**Committee**) has the responsibility and authority (subject to *Corporations Act 2001* (Cth) requirements) for the appointment, reappointment or replacement and remuneration of the external auditor as well as evaluating its effectiveness and independence. The Committee will review the appointment of the external auditor annually based on its assessment of the auditor's performance.

### Assessment of External Auditor

The Committee will review the performance of the external auditor on an annual basis after completion of the year-end audit. In evaluating the effectiveness of external audit, the Committee will assess the effectiveness of the external auditor based on a number of criteria including but not restricted to:

- (a) the overall comprehensiveness of the external audit plan;
- (b) the timeliness and quality of communications promised under the plan and delivered during the audit;
- (c) the competency and industry knowledge of external audit staff; and
- (d) the adequacy of resources to achieve the scope as outlined in the plan.

The Committee will seek feedback from management during the assessment process.

### Independence

The Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. The review and assessment will be carried out annually at the time the external auditor presents its annual audit plan.

Prior to this review, the Committee will request a report from the external auditor which sets out all relationships that may affect its independence, including the provision of non-audit services, financial relationships, employment and other relationships and any other matters that may reasonably be thought to have bearing on the external auditor's independence. The report should outline any safeguards that the external auditor has in place to reduce any threat to independence to an acceptable level.

Before the directors approve the half-year and full year accounts, the external auditor will be asked to provide a declaration testifying to its independence in respect of the financial period in question. The external auditor will have a continuing obligation to notify the Committee, via the Company Secretary, of any new information it believes may be material to reviewing its independence.

The Committee has responsibility to develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and to ensure compliance with that policy.





### **Rotation of External Audit Engagement Partner**

The external audit engagement partner is generally required to rotate at least once every 5 years. If appropriate, the Board may, following a recommendation from the Committee, extend the eligibility term of the audit engagement partner in accordance with the Corporations Act.