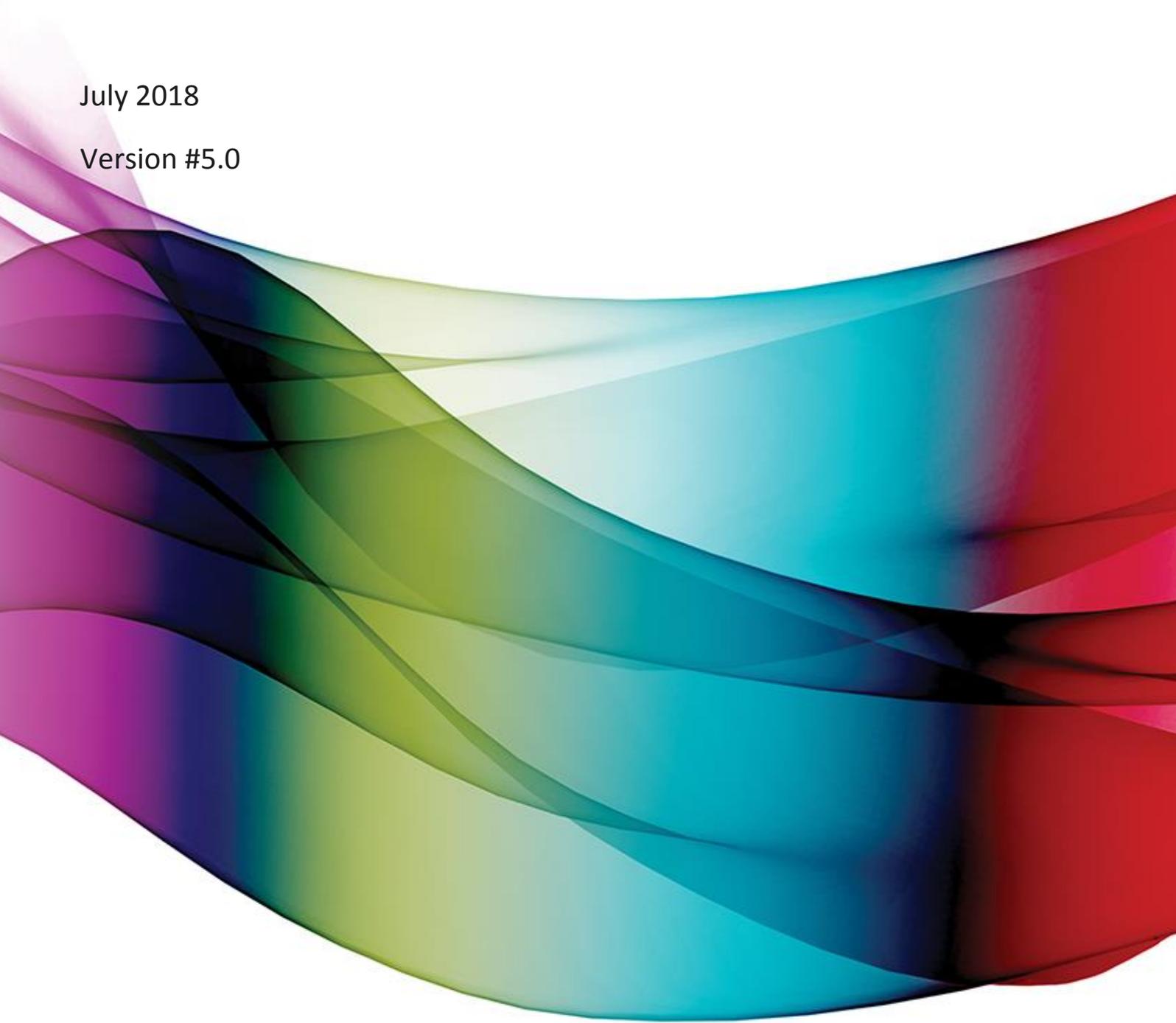


Audit and Compliance Committee

Terms of Reference and Charter (“Charter”)

July 2018

Version #5.0



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1. Policy Overview

The Audit and Compliance Committee (the **Committee**) oversees and monitors TasNetworks' corporate reporting, audit and compliance obligations, and oversees the company's internal control activities.

2. Basis

The Board of Directors (the **Board**) of Tasmanian Networks Pty Ltd (**TasNetworks**) has established an Audit and Compliance Committee (the **Committee**) under clause 30 of TasNetworks' Constitution.

3. Roles and Responsibilities

The role of the Committee includes assisting the Board in the company's governance including exercising of due care, diligence and skill in relation to:

- reporting financial information to users of financial reports;
- application of accounting policies;
- financial management;
- the internal control system;
- audit processes;
- the company's financial performance management system;
- business policies and practices;
- protection of the company's assets; and
- compliance with applicable laws, regulations, standards and best practice guidelines.

The Committee is not a policy-making body but assists the board by implementing Board policy.

4. Committee objectives

The objectives of the Committee include:

- to improve the credibility and objectivity of the accountability process, including financial reporting;
- to oversee the effectiveness of the internal and external audit functions and provide a forum for communication between the Board and the internal and external auditors;
- to review and confirm the independence of the external auditor, noting that clause 35 of the TasNetworks Constitution requires that all accounts of the company are reported upon and audited by the Auditor-General for Tasmania;



- to provide a structured reporting line for internal audit and monitor the objectivity and independence of the internal auditor;
- to assure the quality of internal and external reporting of financial and non-financial information; and
- the promotion and monitoring of an ethical culture throughout TasNetworks.

5. Authority

The Board authorises the Committee, through the Chair, to:

- recommend the scope and terms of appointment of, and oversee the work of the external auditor;
- resolve any disagreements between management and the external auditor on financial reporting;
- pre-approve all auditing and non-audit services;
- retain independent counsel, accountants or others to advise the Committee or assist in the conduct of an investigation; and
- seek any information it requires from employees, who are directed to co-operate with the Committee's requests, or from external parties.

The Committee has no executive power and must refer to the Board any matters requiring approval or action by the Board. Any matter referred to the Board should be accompanied by a recommendation.

6. Composition and term

The Committee is a committee of the Board.

The Committee will consist of a minimum of two non-executive members of the Board.

Members and the Committee Chair will be appointed by the Board. Membership of the Committee will be reviewed annually and confirmed by the Board in June. Members are eligible for reappointment.

Each Committee member will be independent and financially literate. At least one member of the Committee will have relevant qualifications and experience (such as being a qualified accountant holding a current accounting qualification (CPA or CA) or having other financial expertise).

In the event of a casual vacancy on the Committee, the Board may appoint a replacement member to hold office until the following 30 June.



7. Chair

The Chair of the Committee must be independent and not also the Chair of the Board. The Chair will carry out the following responsibilities:

- Promote effective communications between the Committee, the Board, management and the external auditor.
- Manage Committee meetings so that they run smoothly, that the views of all Committee members are heard, that adequate time is allowed for discussion of each issue and that the agenda and meeting papers properly reflect proceedings

8. Invitees

Typically the Chief Executive Officer, General Manager Finance and Business Services, Leader Risk, Audit and Compliance, General Counsel and Company Secretary and TasNetworks' internal and external auditors, as relevant, shall be given notice of meetings and invited to attend. However, the Committee may meet in private if it considers it appropriate.

The Committee may ask management to present on issues relevant to the committee's duties and responsibilities.

Other non-executive directors are entitled to attend meetings.

The Committee may invite other people to attend as it sees fit and consult with other people or seek any information it considers necessary to fulfil its responsibilities. Such invitation may be for the whole or a part or parts of a meeting.

The members will meet privately with Leader Risk, Audit and Compliance, External Auditor, and General Counsel at least annually. There shall be direct access between the Leader Risk, Audit and Compliance and the Committee Chair.

9. Meetings

Proceedings and meetings of the Committee will be governed by the provisions of TasNetworks' Constitution for regulating the meetings and proceedings of the Board in so far as they are applicable and not inconsistent with this Charter.

The Committee will meet at least four times a year and additionally as the Committee considers necessary at appropriate points in the audit cycle. All Committee members are expected to attend each meeting in person or via teleconference or videoconference.



A quorum will be two members. In the Chair's absence from a meeting, the members present will elect a Chair for that particular meeting.

The Chair must call a meeting of the Committee within 21 days if so requested by any Committee member or the Chairman of the Board.

Resolutions of the Committee may be passed without a meeting. The Committee prefers that this option is a last resort and used only when an alternative form of meeting is not possible. While the outcome of a circulating resolution will be advised to all Directors as soon as it is finalised, it will also be recorded in the minutes at the next Board meeting.

10. Voting

Any matters requiring decision which cannot be decided by consensus will be decided by a majority of votes of Committee members present.

11. Conflicts of interest

Committee members will be invited to disclose conflicts of interest at the commencement of each meeting. Ongoing conflicts of interest need not be disclosed at each meeting once acknowledged. Where members or invitees are deemed to have a real or perceived conflict of interest, they will not be present for Committee discussions on the issues where a conflict exists.

12. Secretariat duties

The Company Secretary or a delegate of the Company Secretary will act as the secretary to the Committee. The secretary will assist the chair and the Leader Risk, Audit and Compliance to develop and distribute agendas, papers, minutes and calendar.

Meeting agendas will be prepared by the Leader Risk, Audit and Compliance and the secretary, in conjunction with the Chair, and the General Manager Finance and Business Services. Under normal circumstances, a notice of each meeting confirming the date, time, venue and agenda shall be forwarded to each member of the Committee at least one week prior to the date of the meeting. The notice for members will include relevant supporting papers for the agenda items to be discussed.



13. Minutes

Minutes of proceedings and resolutions of Committee meetings shall be kept by the secretary.

Minutes will be prepared, approved by the Chair of the Committee and circulated to members within one week of a meeting. The minutes must be ratified by the members present at the meeting, signed by the Chair at the next Committee Meeting, and included in the Board papers for the following Board meeting.

The agenda and supporting papers will be made available to any director upon request to the secretary.

14. Access to advice

The Committee is authorised to obtain independent professional advice as necessary, including securing the attendance of outsiders with relevant experience and expertise.

The Committee may meet with external advisers without management being present.

The CEO, General Manager Finance and Business Services, Leader Risk, Audit and Compliance and Company Secretary and General Counsel each has direct access to the Committee Chairperson to report matters of immediate concern within their respective area of responsibility.

Additionally, the Leader Risk, Audit and Compliance has direct access to the Committee Chairperson if an internal matter of material significance is not adequately dealt with and despite the best efforts of the responsible leader to have it addressed. If the need for this direct access arises, the provisions of the Public Interest Disclosures Policy preventing disclosers from detrimental action or reprisals will be invoked.

The Committee can authorise the General Manager Finance and Business Services or Committee Secretary to undertake tasks to assist the Committee to carry out its functions.

15. Reporting to the Board

The Chair of the Committee is to report to the Board following each Committee meeting. The manner of the reporting may include supplementing distribution of the minutes with other necessary information, including recommendations requiring Board action or approval. The Chair of the Committee, on advice from the Company Secretary and Leader Risk, Audit and Compliance, is to organise the supply of information regarding the Committee which will be included in TasNetworks' annual report.



16. Reviews

The Committee will review its performance on an annual basis. The review may be conducted as a self-assessment and will be coordinated by the Chair. The assessment may seek input from any person. Training needs will be monitored by the Chair.

The Committee should review this Charter every two years to ensure that it remains consistent with the Board's objectives and responsibilities. The Board approves or further reviews the charter.

17. References

- *Audit Committees: A Guide to Good Practice* – Auditing and Assurance Standards Board, Australian Institute of Company Directors, and Institute of Internal Auditors Australia (2012)
- *Sample Audit Committee Charter* – Australian Institute of Company Directors.

18. Definitions

| Term | Definition |
|--------------|---|
| Constitution | Memorandum of Association and Articles of Association |

19. Contact for enquiries

Phillippa Bartlett, Company Secretary and General Counsel; and

Sarah Pidgeon, Executive Assistant to Company Secretary and General Counsel

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20. Administration of this Policy

This policy is administered by the Company Secretary and General Counsel and will be reviewed on a biennial basis (every 2 years) and updated where applicable.



| Authorisations | | |
|-----------------------|---|--------------|
| Action | Name | Date |
| Prepared by | Sarah Pidgeon, Executive Assistant to Company Secretary and General Counsel | 2 June 2014 |
| Reviewed by | Phillippa Bartlett, Company Secretary and General Counsel | 5 June 2014 |
| Authorised by | Lance Balcombe, CEO and Board | 20 June 2014 |

| Document control | | | | |
|-------------------------|----------------|--|-------------------------------------|--------------------------------|
| Date | Version | Description | Author | Approved by |
| 5 June 2014 | 0.1 | Version issued for authorisation | | |
| 25 June 2014 | 1.0 | Revised version issued with Board requested amendments | | |
| 24 June 2015 | 1.1 | Revised version issued for authorisation | | Audit and Compliance Committee |
| 25 June 2015 | 2.0 | Revised version approved by Board | | Board |
| 24 June 2016 | 2.1 | Revised version endorsed by Audit and Compliance Committee | S.Pidgeon | Audit and Compliance Committee |
| 28 July 2016 | 3.0 | Revised version approved by Board | S.Pidgeon | Board |
| 16 December 2016 | 4.0 | Revised version approved by Board | Company Secretary & General Counsel | Board |
| 7 June 2018 | 4.1 | Revised version for Committee endorsement | S.Pidgeon | Audit and Compliance Committee |
| 26 July 2018 | 5.0 | Revised version approved by Board | S.Pidgeon | Board |



Appendix – Responsibilities of the Committee

The Committee will carry out the following responsibilities:

1. Financial statements

- Gain an understanding of the current areas of greatest financial risk and how they are managed.
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- Meet with management and the external auditor to review the financial statements, Regulatory Information Notices, key accounting policies, the results of the audit (including significant adjustments), unadjusted differences and any difficulties encountered or unresolved disagreements with management;
- Review all representation letters signed by management and assess for completeness and appropriateness and provide recommendation to Board on approval of financial report.
- Review the CEO and General Manager Finance and Business Services' declarations regarding the financial report and financial records, prepared in accordance with the requirements of the *Corporations Act 2001*;
- Based on its review of the financial statements, note disclosures and other information, provide a recommendation to the Board whether the financial report and Regulatory Information Notices should be approved;
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information, and whether the information is understandable and consistent with members knowledge about TasNetworks and its operations, and is unbiased;
- Review with management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards;

2. Compliance, Culture and Ethics

- Review the effectiveness of TasNetworks' systems for monitoring compliance with laws, regulations, internal policies and industry standards, and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- Obtain regular updates from management and the head of compliance about compliance matters that may have a material impact on TasNetworks' financial statements, strategy, operations or reputation, including material breaches of laws, regulations, standards and company policies;
- Monitor and review the impact of TasNetworks' culture on compliance processes;



- Review and liaise with management and/or regulators, as appropriate about the findings of any examinations by regulatory agencies, and any auditor observations;
- Review, and where applicable, approve the policies, processes and framework for identifying, analysing and addressing complaints (including whistleblowing) and review material complaints and their resolution;
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance with the code;
- Discuss with management whether all regulatory compliance matters of TasNetworks have been considered in the preparation of the financial statements, including review and monitoring of related party transactions.

3. Fraud control

- Ascertain whether fraud risks have been included in the assessment of the risk profile of TasNetworks;
- Review management's anti-fraud strategies and programs;
- Enquire of management, the internal auditor and the external auditor regarding their assessments of the risk of material misstatement in the financial report due to fraud, including the nature, extent and frequency of such assessments;
- Enquire of management, the internal auditor and the external auditor whether they are aware of any actual, suspected or alleged fraud affecting TasNetworks and how they responded to such instances, including any changes made to the internal control environment;
- Obtain representations from management that all known instances of actual, suspected or alleged fraud, have been disclosed to the Committee;
- Monitor TasNetworks' fulfilment of its fraud reporting obligations, if any.

4. Internal control

- Understand and consider the effectiveness of the internal control systems implemented by management for the approval of transactions, the recording and processing of financial data, and ensuring that financial statements comply with relevant standards and requirements, and are subject to appropriate management review;
- Understand and consider the effectiveness of the internal control systems implemented by management for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown, or to protect against computer fraud or misuse;
- Understand the scope of internal and external auditors' review of internal control and obtain reports on significant findings and recommendations, together with management's responses;
- Understand the process management has implemented for managing insurable risks and, if applicable, self-insurance, including assessing the adequacy of insurance cover; and



- Monitor changes in the economic and business environment, including consideration of emerging trends and other factors related to TasNetworks' risk profile.

5. Internal audit

- Review with management, and make recommendations to the Board on, the appointment, remuneration, effectiveness, independence and organisational structure of internal audit;
- Review and recommend to the Board approval of the internal audit plan and work program;
- Review and endorse the internal audit charter;
- Review the internal audit structure, independence and access to senior management, the committee and the board;
- Review the scope of the internal audit plan and assess whether it addresses the material business risks and that there is appropriate coordination with the external auditor;
- Monitor the progress of the internal audit plan and work program, and management's implementation of the findings and recommendations of the internal audit activity;;
- Consider the process implemented by TasNetworks for monitoring and assessing the effectiveness of the internal audit activity;
- Without management being present, meet periodically with the internal auditor to discuss matters that the Committee or internal auditor believes should be discussed privately.

6. External audit

- In the context of the appointment or discharge of auditors, it is noted that clause 35 of TasNetworks' Constitution requires the accounts of TasNetworks to be reported upon and audited by the Auditor-General for Tasmania;
- Review the external auditor's proposed audit scope and approach for the current year, in light of TasNetworks' circumstances and changes in regulatory or other requirements;
- Consider the independence of the external auditor and any potential conflicts of interest;
- Discuss with the external auditor any difficulties encountered in the audit, including any restriction on the audit scope, access to information and any significant resolved or unresolved disagreements with management;
- Discuss with the external auditor the appropriateness of the accounting policies applied by management in TasNetworks' financial reports;
- Discuss with the external auditor, and assess the appropriateness of, management's responses to significant findings and recommendations made by the external auditor;
- Meet separately with the external auditor to discuss any matters that the Committee or auditor believe should be discussed privately (without management present);



- Be informed regarding the scope of any proposed performance or compliance audits initiated by the external auditor and consider any draft report;
- Monitor the relationship between internal and external auditors.

7. Reporting responsibilities

- Regularly report to the Board of directors about Committee activities, issues, and related recommendations;
- Facilitate open communication between internal audit, the external auditor and the Board of directors;
- Prepare any reports requested by the Board, such as a report on the Committee's responsibilities and activities to be included in the corporate governance section of the annual report.

8. Review of performance

- Develop an appropriate process for performance assessment of the Committee and individual members;
- Evaluate the performance of the Committee and individual members;
- Assess the Committee's achievement of responsibilities specified in this Charter and report the findings to the Board.

9. Other responsibilities

- Perform other activities related to this Charter as requested by the Board of directors;
- Review and assess the adequacy of the Committee Charter biennially, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation; and
- Review the business continuity planning process and be satisfied that material risks are identified and appropriate business continuity plans are in place.

