

Audit Committee Charter



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1. Purpose/objectives

The audit committee is appointed by the board of directors to assist the board in discharging its oversight responsibilities. The audit committee will oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information. The committee will also review the following:

- The effectiveness of the company's internal control and risk management systems
- The effectiveness of the internal audit function
- The independent audit process, including recommending the appointment and assessing the performance of the external auditor.
- The company's process for monitoring compliance with laws, regulations, internal standards (including the code of conduct), policies and expectations of key stakeholders, including customers, employees, regulators and society as a whole.

In performing its duties, the committee will maintain effective working relationships with the board of directors, management and external and internal auditors. To perform his or her role effectively, each committee member must develop and maintain his or her skills and knowledge, including an understanding of the committee's responsibilities and of the company's business, operations and risks.

2. Authority

The board authorises the audit committee, within the scope of its responsibilities, to:

- 2.1 perform activities within the scope of its charter.
- 2.2 engage independent counsel and other advisers as it deems necessary to carry out its duties.
- 2.3 ensure the attendance of company officers at meetings as appropriate.
- 2.4 have unrestricted access to members of management, employees and relevant information.
- 2.5 establish procedures for dealing with concerns of employees regarding accounting, internal control or auditing matters.
- 2.6 establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls or auditing matters.
- 2.7 be directly responsible for the appointment, compensation, retention and oversight of the work of the external auditor.
- 2.8 Approve all audit engagement fees and terms as well as reviewing policies for the provision of non-audit services by the external auditor (and, when required, the framework for pre-approval of such services).

3. Organisation

a. Membership

- 3.1 the board of directors (or shareholders' meeting) will nominate the audit committee members and the chairman of the audit committee (who is an independent director).
- 3.2 The audit committee will comprise at least 4 members and the majority of members will be independent non-executive directors of the company.
- 3.3 A quorum of any meeting will be 3 members.
- 3.4 Each member should have skills and experience appropriate to the company's business.
- 3.5 Each member must be financially literate; at least one member must have accounting or related financial expertise.
- 3.6 Members will be appointed for a 3 year term of office.
- 3.7 The secretary of the audit committee will be the company secretary, or such other person as nominated by the board.

b. Meetings

- 3.8 Only committee members are entitled to attend meetings. The audit committee may invite other people (such as the CEO, GFC, internal audit engagement partner and external audit engagement partner) to its meetings as it considers necessary.
- 3.9 External and internal auditors should be invited to make presentations to the audit committee as appropriate.
- 3.10 Meetings will be held not less than 4 times a year and should correspond with the company's financial reporting cycle.
- 3.11 Special meetings may be convened as required. The secretary will convene a meeting on receipt of a request by the external or internal auditors.
- 3.12 The secretary will circulate the agenda and supporting documentation to the audit committee members within a reasonable time before each meeting.
- 3.13 The secretary will circulate the minutes of meeting to members of the board, members of the committee and the internal auditor and the external auditor where appropriate.

- 3.14 As a minimum, the chairman of the committee (or other committee member) will attend the board meeting at which the financial statements are approved.
- 3.15 Members of the audit committee should attend every meeting of the committee.
- 3.16 The audit committee will meet with the external auditor at least once a year without management present.

4. Roles and responsibilities

a. Risk management and internal controls

- 4.1 Evaluate whether management is setting the appropriate 'control culture' by communicating the importance of internal control and management of risk.
- 4.2 Ensure that management has appropriate processes for identifying, assessing and responding to risks in a manner that is in accordance with the organisation's risk appetite, and that those processes are operating effectively.
- 4.3 Understanding the internal control systems implemented by the management for the approval of transactions and the recording and processing of financial data.
- 4.4 Understand the controls and processes implemented by management to ensure that the financial statements derive from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate management review.
- 4.5 Evaluate the overall effectiveness of the internal control and risk management frameworks and consider whether management has implemented recommendations made by the internal and external auditors.
- 4.6 Consider how management is held to account 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.
- 4.7 Participate in the appointment, promotion or dismissal of the head of risk management.
- 4.8 Meet separately with the head of risk management without management personnel being present.

b. Financial reporting

- 4.9 Gain an understanding of the current areas of greatest financial risk and how these are being managed.

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- 4.10 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports.
- 4.11 Oversee the periodic financial reporting process implemented by management and review the interim financial statements, annual financial statements and preliminary announcements before their release.
- 4.12 Review managements process for ensuring that information contained in analyst briefings and press announcements is consistent with publishing financial information, and is balanced and transparent, particularly regarding GAAP (generally accepted accounting principals) vs non-GAAP data. (not sure if this should state AIFRS)
- 4.13 Meet with management and the external auditor to review financial statements, key accounting policies and decisions and the results of the audit.
- 4.14 Ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practice are discussed with the external auditor.
- 4.15 Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members' knowledge about the company and its operations, and lacks bias.

c. Compliance with laws, regulations, internal policies and industry standards

- 4.16 Review management's investigation and follow-up (including disciplinary action) of fraudulent acts.
- 4.17 Where deemed necessary obtain updates from management and the head of compliance about compliance matters that may have material impact on the company's financial statements.
- 4.18 Be satisfied that all regulatory compliance matters related to the business of the company have been considered in the preparation of the financial statements.

d. Working with the external auditor

- 4.19 Review the professional qualification of the external auditor (including background and experience of partner and auditing personnel).
- 4.20 Consider the independence of the external auditor and any potential conflicts of interest.

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- 4.21 Review on an annual basis the performance of the external auditor and make recommendations to the board for the appointment, reappointment or termination of the appointment of the external auditor.
- 4.22 Review the external auditor's proposed audit scope and approach for the current year in the light of the company's circumstances and changes in regulatory and other requirements.
- 4.23 Discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.
- 4.24 Ensure that significant findings and recommendations made by the external auditor and management's proposed response are received, discussed and acted on appropriately.
- 4.25 Discuss with the external auditor the appropriateness of the accounting policies applied in the company's financial reports and whether they are considered to be aggressive, balanced or conservative.
- 4.26 Meet separately with the external auditor at least once a year to discuss any matters that the committee or auditor believes should be discussed privately. Ensure the external auditor has access to the chairman of the audit committee when required.
- 4.27 Review policies for the provision of non-audit services by the external auditor and, where applicable, the framework for pre-approval of audit and non-audit services.
- 4.28 Ensure the company has appropriate policies for the hiring of audit firm personnel for senior positions.
- 4.29 Make recommendations to the Board in relation to the appointment, reappointment or termination of the external auditor
- 4.30 Reviewing the rotation requirements under the Corporation Act of the external audit engagement partner

e. Internal audit

- 4.31 Review the activities, resources and organisational structure of the internal audit functions and ensure there are no unjustified restrictions or limitations.
- 4.32 Participate in the appointment, promotion or dismissal promotion or dismissal of the internal audit head and discuss with the external auditor the standard of work of internal audit staff.
- 4.33 Review the effectiveness of the internal audit function and ensure that it has appropriate standing within the company.

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- 4.34 Meet separately with the head of internal audit to discuss matters that the committee or internal auditors believe should be discussed privately.
- 4.35 Ensure that significant findings and recommendations made by the internal auditors and management's proposed response are received, discussed and appropriately acted on.
- 4.36 Review the proposed internal audit plan for the coming year and ensure that it addresses key areas of risk and that there is appropriate co-ordination with the external auditor.
- 4.37 Outsource the internal audit function and determine the appointment/dismissal of the internal audit service providers

f. Reporting responsibilities

- 4.38 Regularly update the board about committee activities and make appropriate recommendations.
- 4.39 Ensure the board is aware of matters that may significantly affect the financial condition or affairs of the business.
- 4.40 Prepare any reports required by law or listing rules, or requested by the board, such as a report on the audit committee's activities and duties to be included in the section on corporate governance in the annual report.

g. Evaluating performance

- 4.41 Evaluate the committee's own performance, of individual members and collectively, on a regular basis.
- 4.42 Assess the achievement of the duties specified in the charter and report the findings to the board.

h. Review of the committee charter

- 4.43 Review the audit committee charter annually and discuss required changes with the board.
- 4.44 Ensure that the charter is approved or re-approved by the board.