

**Academies Australasia Group Limited ('AKG') (ACN 000 003 725):**

**Audit and Risk Committee Charter**

**1. Purpose**

The Audit and Risk Committee ('ARC') is approved by the AKG Board to assist the Board in the effective discharge of the Board's responsibilities for financial reporting, internal controls, risk management, and internal and external audit. The ARC does not relieve any Directors of their responsibilities for these matters.

The ARC's responsibilities, powers and authorities are outlined in section 4.

The ARC must exercise the powers delegated to it in accordance with any directions of the Board. It has authority to perform any function delegated to it by the Board, and may make recommendations to the Board in relation to all matters within its responsibility. It may delegate any of its functions or responsibilities to one or more members of the ARC or to any Director or executive officer of the Company, subject to conditions and on any terms as the ARC determines.

**2. Composition**

The ARC shall have at least three members, all of whom will be non-executive directors.

In appointing Directors to the ARC, the Board will have regard to the following:

- (a) at least one member of the ARC shall have financial expertise; and
- (b) a majority of members must have an understanding of the industry in which the Company and consolidated Group operates; and
- (c) the Chairman shall not be the Chairman of the Company.

The Company Secretary shall be the Secretary of the ARC.

**3. Authorities and access of the ARC**

**Access to management and others**

The ARC, in performing its functions, may:

- (a) invite any of the following to attend a meeting of the ARC:
  - the external auditor;
  - any other non executive Director, executive or employee of the Company; and

- any other person.

in each case, with or without management being present; and

(b) as appropriate, have unrestricted access to company records and any other document, report, material or information in the possession of an employee or external adviser of the Company.

The ARC may obtain independent professional advice to assist it in the proper exercise of its powers and responsibilities, with the cost to be borne by the Company.

#### **4. ARC responsibilities, powers and authorities**

##### **Financial Reporting**

The ARC must promote an environment in the Company that is consistent with best practice financial reporting and appropriately reflects the financial status of the Company to external parties. In particular, the ARC must:

(a) approve the Company's accounting policies and principles that are required to be reported in the notes to the financial statements (Policies) and changes to the Policies, review and assess the appropriateness of those Policies, including conformance with relevant accounting and reporting standards, and, where appropriate (without limiting the ARC's powers to approve accounting policies and settle interpretation of accounting policies and standards), referring material changes to the Board;

(b) review all financial statements and reports which are required to be published and/or signed by Directors prior to approval by the Board. The review of financial statements and reports should include a discussion with the external auditor of accounting issues, accounting policies adopted and the audit report. Subject always to ultimate Board approval of the published financial statements, the ARC has authority to approve accounting issues raised, review and interpret accounting policies adopted and the proposed audit (or review) report;

(c) review the Annual Report, Directors' Report (excluding the Remuneration Report) and any other report of management which is required by law to accompany any published financial statements (to the extent that such a report discusses the financial position or operating results) before approval by the Board, including assessing whether the Company's external reporting is consistent with the ARC members' information and knowledge, and is adequate for shareholder needs;

(d) review any statements or commentary to be released to the Australian Stock Exchange to accompany the half year or annual financial statements;

(e) review and consider the processes used by management to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting of financial information;

(f) review proposed professional and regulatory pronouncements regarding accounting policies and financial reporting and assess their impact on the Company;

(g) review the process implemented to support the certifications to be provided by the Chief Executive Officer (CEO) and the Group Financial Manager (GFM) as to the truth and fairness of the Company's financial reports and that those reports are based on a sound system of risk management and internal compliance and control so far as they relate to financial reports;

(h) review and discuss with management and the external auditor any correspondence with regulatory or government bodies which raise material issues regarding the Company's financial statements and review the results of any governmental or regulatory audits involving material findings which have not otherwise been reviewed by the Board; and

(i) review and monitor related party transactions and assess their propriety.

### **Risk Management**

The ARC will oversee the implementation and review of risk management and related internal compliance and control systems throughout the Company, as follows:

(a) The ARC will review and consider the appropriateness and adequacy of internal processes for determining, monitoring and assessing key risk areas identified by the Board's financial, operational and business risk management policies, including:

(1) reviewing and approving management's programs and policies which deal with the adequacy and effectiveness of internal controls over the Company's business processes;

(2) receiving reports concerning material actual and suspected breaches of law, including fraud and theft and assess systems to manage this risk;

(3) assessing whether senior executives and the external auditor have an understanding of the Company's control environment;

(4) assessing whether management has appropriate controls in place for transactions that may carry more than the usual degree of risk accepted by the Company;

(5) assessing the effectiveness and efficiency of the Company's internal compliance and controls, including the adequacy of disclosure and processes for regular reporting of information, particularly in relation to significant risks; and

(6) reviewing the form of the proposed annual Managing CEO/GFM sign off letter on identification and effective management of material business risks.

(b) The ARC is responsible for approving and monitoring the Company's whistleblowing policy.

### **Authorities for financial risk management**

The ARC has full authority to approve:

(a) financial risk management policies;

(b) any credit limit extended to a customer;

(c) hedging transactions;

(d) any bank or corporate guarantee or undertaking supporting statutory obligations or the performance of a contract for the supply of goods or services in the ordinary course of business; and

(e) any restructure of customer payment obligations.

### **External Audit**

The ARC will review and assess key areas relating to the external audit of the company. In particular, the ARC will:

(a) make recommendations to the Board on the appointment, reappointment or replacement of the external auditor;

(b) review and agree with the external auditor the terms of engagement for the external auditor, including fees;

(c) monitor the effectiveness and independence of the external auditor;

(d) review the scope of the external audit with the external auditor including identified risk areas and approve external audit plans;

(e) review, assess and, as appropriate approve, provision of non-audit services by the external auditor, with particular consideration to the potential to impair, or appear to impair, the external auditor's judgment or independence in respect of the Company and, as appropriate, recommend changes to relevant policies to the Board;

(f) ensure that the internal auditor (if any) monitors compliance with the Company's policy in respect of the provision of non-audit services by the external auditor and periodically reports to the ARC, including on any breaches of the policy;

(g) ensure that the CFM reports to the ARC on a periodic basis regarding:

(1) any non-audit services provided by the auditor; and

(2) the level of fees paid for providing such services.

(h) provide an annual report to the Board with respect to non-audit services (if any), provided by the external auditor during the year, which includes:

(1) amounts paid or payable to the external auditor for those non-audit services;

(2) a statement whether the ARC is satisfied that the provision of those services during the year is compatible with the general standard of independence for auditors; and

(3) the reasons for the ARC's opinion.

(i) ensure the external auditor is coordinated with internal audit programs (if any);

(j) review and monitor (and, where appropriate, be prepared to challenge, management's responsiveness to the external audit findings; and

(k) provide the external auditors with unrestricted and confidential access to the Managing Director and Chief Executive Officer, the Chairman of the ARC, the ARC or, if deemed appropriate by the external auditors, to the Chairman of the Board.

### **Internal Audit**

The ARC will review and assess key areas relating to the internal audit of the Company. In particular, the ARC will:

(a) approve the internal auditor (if one is to be appointed), where the internal auditor is an executive of the Company or, where the internal auditor is an external contractor, approve the appointment and the internal auditor's terms of engagement;

(b) review and assess the scope of the audit and the internal audit plan, work program and resources and approve internal audit plans;

(c) review and monitor management's responsiveness to the internal audit findings; and

(d) on a regular basis, meet with the internal auditor without the presence of management.

### **Insurance Programme**

The ARC will review and approve all aspects of the Company's insurance programme except for the Directors' and Officers' Liability insurance, which remains the responsibility of the Board.

### **Legal Proceedings**

The ARC will regularly receive and review a report regarding all litigation, legal claims or contingencies relating to the Company. The ARC will advise the Board as necessary in relation to any legal risks that could have a material effect on the financial position or operating results of the Company.

## **5. Meetings**

### **Holding of meetings**

(a) The ARC will meet regularly, at the times determined by the ARC Chairman, but no less than two scheduled times a year.

(b) A member of the ARC may request that a meeting of the ARC be convened at any other time.

(c) The internal auditor (if any) or external auditor may request that a meeting of the ARC be convened.

**Quorum**

Two members, present in person or by using any technology, constitute a quorum.

**Secretary**

The Company Secretary shall be the ARC Secretary.

**ARC papers**

(a) The ARC Secretary will distribute in advance of a meeting of the ARC an agenda and any related papers to each member of the ARC and any other persons determined by the ARC.

(b) Where a person has a conflict of interest in a matter, the ARC Secretary will provide that person with notice of the matter but, unless the other members of the ARC otherwise determine, will not provide that person with papers in relation to that matter.

**ARC minutes**

(a) The ARC Secretary shall prepare minutes of meetings and have them approved by the ARC Chairman.

(b) Minutes of meetings shall be confirmed at the next meeting of the ARC.

**ARC Review**

The ARC shall review its performance periodically.

**Reporting to the Board**

(a) Minutes of each meeting will be submitted to the Board.

(b) The ARC Chairman, or delegate, must report to the Board after each ARC meeting concerning:

(1) the proceedings of the ARC; and

(2) all matters relevant to the ARC's role and responsibilities.

September 2011

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