



Collection House Limited

**Audit and Risk
Management Committee
Charter**

ANNEXURE A TO THE BOARD COMMITTEES OVERVIEW

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on 26/06/08
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AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

PURPOSE

The Audit and Risk Management Committee (the Committee) is appointed by the Board to support the work of the Board and maintain the integrity and reputation of Collection House Limited and its subsidiaries (individually and collectively, the Company), by carrying out the activities described in this document.

The Committee's purpose is to assist the Board to discharge its responsibilities in relation to:

- Reporting of financial information to users of financial reports;
- Application of accounting policies;
- Financial management;
- Internal control systems;
- Risk management systems;
- Business policies and practices;
- Protection of the Company's assets;
- Compliance with the Company's policies and procedures;
- Compliance with applicable laws, regulations, standards and best practice guidelines; and
- Independence, quality, performance and reporting of external and internal auditors.

The objective of the Committee is to improve the efficiency of the Board of Directors by delegating tasks to the Committee where greater attention can be given to the task.

MEMBERSHIP

- Members shall be appointed by the Board.
- The Board will appoint the Committee Chair. The Chair of the Committee shall preside over the meetings of the Committee and may call special meetings, in addition to those regularly scheduled, and will report to the Board the actions and recommendations of the Committee.
- The Chair of the Board shall not Chair the Committee.

- The Committee will consist of a minimum of three Non-executive Directors and at least two (or a majority) will be independent Directors.
- The Company Secretary will be the secretary to the Committee.
- At least one member of the Committee will have financial expertise (i.e. is a qualified accountant or other financial professional with experience of accounting and financial matters).
- At least one member of the Committee will have an understanding of the industry in which the Company operates.

MEETINGS

- The Committee will establish a timetable for regular meetings.
- The Committee will meet at least four times per annum.
- Meetings may be called by the Chair of the Committee or at the request of the Chair of the Board.
- The quorum for a Committee meeting is two Directors and the quorum must be present at all times during the meeting.
- All Directors who are not members of the Committee shall have the right to attend meetings of the Committee.
- The Managing Director/CEO and the Chief Financial Officer shall be invited to attend all meetings of the Committee, though not necessarily for all agenda items.
- The Chair of the Committee shall provide opportunities for the external auditor to meet with the Committee without executive Directors or other management representatives present as well as opportunities for the Chair to meet with management without audit presence.
- The internal auditor shall be invited to attend meetings, as appropriate.
- Where the Committee requires a Director, Executive Officer or employee to attend a meeting in a formal capacity, the Committee will follow the process contained in the "Invitation to Board and Sub-Committee Meeting Procedure".

DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee are to:

Financial Statements

- Review annual and half year audited financial statements, including Company disclosures under any applicable law or regulation with management and the external auditor, as appropriate, prior to submission to the Board.
- Review major issues regarding accounting principles and financial statement presentations and standards, including any significant changes in the Company's selection or application of accounting principles and standards.

- Discuss with management and the auditors, recent and prospective pronouncements and developments on accounting standards and any other legislative changes and review the potential impact of such pronouncements and developments on the Collection House Group financial statements and financial management policies.
- Review analyses prepared by management and/or the external auditor setting forth significant financial reporting issues, significant estimates and business judgments made in connection with the preparation of the financial statements, including analyses of the process used by management in making material accounting estimates and of the effects of alternative methods of reporting in the financial statements and then enquire, as appropriate, of the auditor the basis of the auditor's conclusion regarding the reasonableness of those estimates.
- Review compliance with all related-party disclosures and continuous reporting required by the Australian Accounting Standards, the Corporations Act and the Australian Stock Exchange.
- Review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- Review documents and reports to regulators and make a recommendation to the Board on their approval or amendment.

Reporting

- To assess whether the resources devoted to the accounting function are adequate to ensure that reporting arrangements are of a high quality.
- Report regularly to the Board and review with the full Board any issues that arise with respect to -
- the quality or integrity of the Company's financial statements;
- the Company's compliance with legal or regulatory requirements;
- the Company's compliance with internal policies and procedures;
- the performance and independence of the Company's external auditors, and
- the performance of the internal audit function.

External Audit

- Recommend to the Board of Directors, the appointment of an external auditing firm and the audit fees to audit the financial statements of the Company.
- Undertake monitoring of the auditors' activities especially any non-assurance activities and make recommendations on such to the Board.
- Evaluate and monitor the external auditor's qualification, performance and independence including the role and performance of the lead external audit partner.

- Obtain and review at least annually, a report by the external auditor describing the Company's internal quality-control processes and any material issues during external audit review.
- At least once a year, the Committee meet with the external auditors without management and executive Board members being present.
- Review with the external auditors, their findings and recommendations, including interim audit reports and management's responses and actions to correct any noted deficiencies. The Committee is to advise the Board of any issues of concern and the extent to which audit recommendations have been or are to be implemented.
- Review all representation letters signed by management and ensure that the information provided is complete and appropriate.

Internal Audit

- Review the responsibilities, budget and staffing of the Company's internal audit, quality review and performance function.
- Approve the annual internal audit plan across all the Company subsidiaries.
- Consider and review with management significant findings during the year and management responses, including the timetable for implementation of recommendations to correct weaknesses in internal control.
- Review the operation of the Whistleblower Policy and Fraud Policy and ensure that such policies remain current and relevant.
- To monitor and evaluate the performance of the Internal Auditor measured against the duties, responsibilities and obligations set out and contained in the Internal Audit Charter, and where necessary, to appoint and/or replace or terminate the Internal Auditor from time to time.

Internal Control

- Consider major issues on the adequacy of the Company's internal policies, procedures and controls and, any special audit steps or changes adopted in light of material control deficiencies.
- Require that each CEO and CFO disclose to the Committee -
- All significant deficiencies in the design or operation of the internal controls which could adversely affect the company's ability to record, process, summarise, and report financial data;
- Any significant fraud;
- Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and
- All significant threats to each Company including financial implications of any such threats.

Risk Management

- Approve policies, systems and frameworks with respect to risk assessment and risk management.
- Review the Risk Management policies and practices of the Company and subsidiaries on a regular basis to ensure that the operations are being managed with a level of risk that is acceptable to the Board and adequate risk mitigation strategies are in place.
- Assess the internal processes for determining and managing key risk areas, particularly:
 - litigation and claims;
 - non-compliance with laws and regulations, including, but not limited to, the Corporations law, trade practices laws, privacy laws, industrial relations laws and taxation laws; and
 - business risks other than those that are dealt with by other specific Board committees.
- Discuss guidelines and policies to govern the risk assessment and risk management process, as well as the Company's major financial risk exposures and the steps management has taken to monitor such risk exposures.

Governance

- Review and recommend to the Board adoption of a governance framework, principles and policies for the Company covering expected ethical behaviour of Board members and employees of the Company, including fraud prevention.

General

- Monitor compliance regime with Corporations Act and Regulations, and any other laws relevant to the Company's business in Australia and off-shore.
- Review compliance with related party transaction disclosures or material personal interest disclosures as a Committee or as required by the Board.
- To consider and periodically review the approved Company Delegated Authorities and make recommendations to the Board as deemed appropriate.
- To review the annual insurance renewal and make appropriate recommendations to the Board for approval.
- Review the Project Management practices of the Company and subsidiaries on a regular basis to ensure that changes to operations are being implemented with clear understanding of the costs and benefits, and appropriate review of both project and business risk is being undertaken.

- Review the development, acquisition and management of Intellectual Property to ensure that the IPA assets of the Company and its subsidiaries are being properly managed.
- Take care of any matters assigned to the Committee by the Board of Directors.

AUTHORITY

- The Committee shall have access to advice and assistance from outside legal, accounting or other advisers as appropriate.
- The Committee has the authority to access all documents and records as it deems appropriate to perform its duties.
- The Committee has the authority to require members of management, internal or external auditors, to attend meetings and to provide advice or information.
- The Committee has the authority to approve the roles and responsibilities of internal audit performance functions with the Company.
- The Committee has the authority to direct and report an investigation into any matter deemed necessary to accomplish the responsibilities of the Committee.

SECRETARIAL SERVICES AND MINUTES

- The Company Secretary, in conjunction with the Chair of the Committee, will be responsible for -
- drawing up agenda, supported by documentation, and circulating that material to Committee members three working days prior to each meeting; and
- preparing draft minutes of meetings and circulating those to the Chair for approval within seven working days after each meeting.

REPORTING TO THE BOARD

- Copies of minutes of the Committee shall be provided to the Board at its next meeting, after those minutes have been reviewed by the Chair of the Committee.

REVIEW OF COMMITTEE PERFORMANCE AND CHARTER

- The Committee shall review its performance and Charter annually, with particular attention being paid to the extent to which it has met its responsibilities as outlined in this Charter, and report results to the Board.
- Where changes to this Charter are considered necessary, they will be submitted to the Board for approval and endorsement.