

# **Tabcorp**

## **Audit Committee Terms of Reference**

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# 1 Introduction to the Terms of Reference

## 1.1 General

This Audit Committee Terms of Reference sets out the principles governing the Audit Committee of the Board of Tabcorp.

The Audit Committee is a committee of the Board of Tabcorp established under Rule 90 of the Company's Constitution.

## 1.2 Board approval

The Board has approved the Audit Committee Terms of Reference. The Board may approve updates and amendments to the Audit Committee Terms of Reference from time to time.

## 1.3 Definitions

Unless the contrary intention is expressed in the Terms of Reference, the following words (when used in this Audit Committee Terms of Reference) have the meaning set out below:

**Board** means the Board of Directors of Tabcorp from time to time.

**Committee** means Audit Committee of the Board of Tabcorp.

**Company** means Tabcorp, having its registered office at 5 Bowen Crescent, Melbourne, Victoria, 3004.

**Director** means a person appointed as a Director of Tabcorp.

**Tabcorp** means Tabcorp Holdings Limited (ACN 063 780 709) and its controlled entities.

# 2 Role of the Committee

The primary objective of the Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities relating to financial accounting practices, financial risk management, internal control systems, external reporting and the internal and external audit functions.

Specifically, the Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relevant to the Terms of Reference of the Committee in order to facilitate decision making by the Board.

The Committee also has responsibility to ensure the independence of the external auditors and will periodically assess this independence by considering the relationships and services provided by the external auditors and others that may lead to actual or perceived lack of independence.

## **3 Duties and Responsibilities of the Committee**

### **3.1 Key responsibilities**

The Committee has the duties and responsibilities relevant to its role including:

#### ***General***

- (a) overseeing and appraising the coverage and quality of the audits conducted by both the internal and external auditors;
- (b) maintaining open lines of communication among the Board, the internal auditors and the external auditors to exchange views and information, as well as to confirm the auditors' respective authority and responsibilities;
- (c) reviewing (on an independent and objective basis) the financial information to be presented to shareholders, regulators and the general public;
- (d) reviewing the adequacy of internal controls, including information technology controls of Tabcorp;

#### ***Financial accounting compliance***

- (e) evaluating:
  - (i) the adequacy and effectiveness of Tabcorp's administrative, operating and accounting policies, including active communication with management, internal auditors and external auditors;
  - (ii) the adequacy of Tabcorp's management information and accounting control system by reviewing written reports from the internal and external auditors, and monitoring management's responses and actions to correct any noted deficiencies;
  - (iii) Tabcorp's exposure to potential fraud;
- (f) monitoring:
  - (i) management's due attention to ethical considerations regarding Tabcorp's policies and practices;
  - (ii) the standard of corporate conduct in areas such as arm's-length dealings and potential conflicts of interest;
- (g) requiring reports from management, the internal auditors and external auditors on any significant proposed regulatory, accounting or reporting issue, to assess the potential impact upon Tabcorp's financial reporting process;
- (h) identifying and directing any special projects or investigations deemed necessary;

### **External reporting**

- (i) reviewing:
  - (i) all financial reports prior to their public release and recommending acceptance to the Board;
  - (ii) any correspondence from regulators and others regarding Tabcorp's financial reporting and related matters and monitoring management's response to them;
  - (iii) the appropriateness and integrity of Tabcorp's accounting policies and financial reporting disclosures and approving all significant changes to them;
  - (iv) significant transactions outside Tabcorp's ordinary course of business;
  - (v) the half-yearly and annual financial statements and reports with the Managing Director and Chief Executive Officer, the Chief Financial Officer and the external auditors and making related recommendations to the Board;
  - (vi) the process adopted by the Managing Director and Chief Executive Officer and the Chief Financial Officer leading to their written confirmation to the Board that:
    - (A) the consolidated financial report presents a true and fair view, in all material respects, of the financial condition and operational results of Tabcorp and are in accordance with relevant accounting standards;
    - (B) the confirmation is founded on a sound system of risk management and internal compliance and control and that this system is operating efficiently and effectively in all material respects; and
    - (C) the information is clear and consistent with the Committee members' knowledge about Tabcorp and its operations;
  - (vii) the half-yearly and annual announcement of results to the Stock Exchange with the Managing Director and Chief Executive Officer, the Chief Financial Officer and the external auditors and making related recommendations to the Board;
  - (viii) reviewing the Managing Director and Chief Executive Officer's and Chief Financial Officer's written confirmation to the Board.

### **Internal audit**

- (j) recommending to the Board the appointment (and, where appropriate, replacement) of the Group General Manager Internal Audit;
- (k) reviewing:
  - (i) the adequacy of the resources and organisation of the internal audit function; and
  - (ii) approving the annual internal audit plan and reasons for subsequent variations. The plan will reflect coverage of key risk areas;

- (l) monitoring:
  - (i) the progress of the internal audit program and, together with any additional investigative reviews, consider the implications for the control environment;
  - (ii) the implementation of agreed action plans by management;
- (m) evaluating the overall effectiveness of the internal audit function;
- (n) determining that no restrictions are being placed upon the internal auditors and having the internal auditors regularly report on their independence;
- (o) reviewing reports from the internal auditors detailing their key findings and the agreed management actions;

### **External audit**

- (p) recommending to the Board the nomination (and where appropriate, replacement) of the external auditors;
- (q) reviewing:
  - (i) and approving the external audit plan and fee and reasons for subsequent variations;
  - (ii) reports prepared by external auditors;
- (r) evaluating the overall effectiveness and independence of the external auditors.

## **3.2 Relationship with the external auditors**

The external auditors have an unrestricted right to discuss any issues they deem necessary with the Chairman of the Committee or, if deemed appropriate by the external auditors, with the Chairman of the Board.

The Committee will require the external auditors to confirm, in writing, that they have complied with all professional and regulatory requirements relating to auditor independence prior to the completion of each half-yearly and annual accounts.

In accordance with the Corporations Act 2001 (Cth), the Board will not invite any past or present lead audit partner of the firm currently engaged as Tabcorp's external auditors to fill a vacancy on the Board.

The lead external audit partner will be required to rotate off the audit after their involvement in accordance with the Corporations Act 2001 (Cth) before that partner can again be involved in Tabcorp's external audit.

Internal audit services, if outsourced, will be provided by a firm other than the external audit firm.

The Committee or the Chairman of the Committee will meet at least once annually with the external auditors, in the absence of management, and on any occasion during the year as requested by either the Chairman of the Committee or the external auditors.

It is expected that the external auditors will immediately contact the Chairman of the Committee if management has placed restrictions on access by the external auditors or there are significant unresolved issues between management and the external auditors.

### **3.3 Provision of non-audit services by external auditors**

As specified in Section 2, the Committee has responsibility to ensure the independence of the external auditors and will periodically assess this independence by considering the relationships and services provided by the external auditors and others that may lead to actual or perceived independence or lack of independence. In this regard, the Committee will apply the following guidelines.

The external auditors:

- (a) shall not provide services that are considered to be in conflict with the role of the statutory auditors. These services include those where the auditors may ultimately be required to express an opinion on its own work, and in particular:
  - (i) bookkeeping or other services relating to the accounting records or financial statements;
  - (ii) financial information systems design and implementation;
  - (iii) appraisal or valuation services and fairness opinions;
  - (iv) actuarial services;
  - (v) internal audit services;
  - (vi) management functions or human resources;
  - (vii) strategic and business planning services;
  - (viii) broker or dealer, investment adviser or investment banking services; and
  - (ix) legal services and expert services unrelated to the audit;
- (b) may be permitted to provide non-audit services that are not perceived to be in conflict with the role of the auditors where their detailed knowledge of Tabcorp's activities could permit cost and output efficiencies, provided stringent independence requirements are satisfied. These services, where provided, must first be approved by the Chairman of the Committee and then advised to the Committee at its next meeting.

The Committee will recommend to the Board the appropriate disclosure in the annual accounts of the full details of fees paid to the external auditors including an analysis of non-audit services.

### **3.4 Other responsibilities**

The Committee will perform other oversight functions as expressly requested by the Board.

The duties and responsibilities of a member of the Committee are in addition to those set out for a member of the Board.

## **4 Composition and Structure of the Committee**

### **4.1 Composition**

The Committee should be of sufficient size, independence and expertise to conduct its duties effectively. The Committee will comprise at least three members appointed by the Board. All members must be independent non-executive Directors. Members of the Committee shall be considered to be independent so long as they do not have any relationship with the Company that may interfere with the exercise of independent judgement. This means they shall not accept any consulting, advisory, or other compensatory fee from the Company and are not an affiliated person of the Company or its related entities.

The Board will appoint one of these members (other than the Chairman of the Company) as the Chairman of the Committee.

Members will be financially literate at the time of their appointment to the Committee. At least one member shall have a comprehensive financial background. Members will also have a good knowledge of the key businesses Tabcorp operates.

Other members of the Board of Directors are entitled to attend Committee meetings, but will not be entitled to vote on any matter being considered by the Committee.

### **4.2 Removal or resignation**

If a member of the Committee ceases to be a Director of the Company, that member ceases to be a member of the Committee. The Board may remove a member of the Committee.

### **4.3 Secretary**

The Secretary of the Committee is the Company Secretary. The Secretary of the Committee will be responsible, in conjunction with the Chairman of the Committee and the Chief Financial Officer, for determining the agenda for each meeting.

## **5 Meetings of the Committee**

### **5.1 Frequency**

The Committee will meet as frequently as required but not less than four times a year.

The Committee may call such additional meetings as the Chairman of the Committee decides are necessary for the Committee to fulfil its duties.

In addition, the Chairman of the Committee is required to call a meeting of the Committee when requested to do so by a Committee member, the Managing Director and Chief Executive Officer, the Chief Financial Officer, the Company Secretary, the internal auditors or the external auditors.

The Committee or the Chairman of the Committee will meet in the absence of management, with the external auditors and/or internal auditors, at least once per annum.

### **5.2 Minutes of meetings**

The Committee's Secretary will be responsible for keeping and circulating the minutes of Committee meetings.

Minutes shall be distributed to all Committee members after the Committee Chairman has given preliminary approval.

The minutes of Committee meetings will be approved by the Committee and signed by the Chairman of the Committee.

### **5.3 Meeting attendance**

With the exception of 5.1, and unless otherwise directed by the Board, the Managing Director and Chief Executive Officer and the Chief Financial Officer will attend each meeting of the Committee. Representatives of the internal and external auditors and any other employee will also attend at the discretion of the Committee.

## **5.4 Quorum, voting and resolutions**

A quorum will comprise any two Committee members. Should the Chairman be absent from any meeting, and there are at least two members still present, the members of the Committee present shall appoint one of their number to be Chairman of that meeting.

Each Committee member will have one vote. Questions arising at any meeting of the Committee are decided by a majority of votes, and, in the case of an equality of votes, the Chairman of the Committee meeting has (except when only two Committee members are eligible to vote on the question) a second or casting vote.

The Committee may pass resolutions by circular resolution by adopting the procedures set out in Tabcorp's Constitution.

Members of the Committee will not participate in discussions and will not vote on any issue in respect of which there is an actual or perceived conflict of interest.

## **6 Reporting to the Board**

The Committee will as is appropriate, on a timely basis:

- (a) update the Board about Committee activities and make recommendations;
- (b) ensure the Board is aware of matters that may significantly impact the financial condition or affairs of the business;
- (c) to the extent practicable, include copies of the minutes of each Committee Meeting in the papers for the next full Board meeting after each meeting of the Committee; and
- (d) make available minutes, agenda and supporting papers to any Director upon request to the Secretary, providing no conflict of interest exists.

## **7 Independent External Advice**

The Committee may engage an independent external adviser in relation to any Committee matter, at the expense of the Company.

A Committee member may engage an independent external advisor in relation to any Committee matter, at the expense of the Company, although before the external advice is sought, consent must be obtained from the Chairman of the Board.

The Chairman of the Committee may determine that any external advice received by an individual Committee member be circulated to the other Directors of the Company.

## **8 Access to employees, other persons and resources**

The Committee may:

- (a) access any employee or other individual and ask questions relating to Committee matters;
- (b) access internal and external auditors;
- (c) access all relevant Company records;
- (d) invite any employee or other individual to attend a meeting of the Committee; and
- (e) access Tabcorp resources to enable the Committee to discharge its duties

as the Committee considers appropriate.

## **9 Assessment and Evaluation of the Committee**

The Committee will regularly complete a performance evaluation of the Committee and assess the performance of the Committee against the requirements of the Committee Terms of Reference.

The Board will regularly evaluate the operations of the Committee.

## **10 Access to the Terms of Reference**

The Committee Terms of Reference will be available for viewing by any person on the Company's website or a copy will be sent upon request.

## **11 Review of the Terms of Reference**

The Committee Terms of Reference is subject to regular review and will be amended (as appropriate) to reflect current best practice in corporate governance and the duties and responsibilities of Committees. Any amendments will be in accordance with respective Stock Exchange requirements and the Terms of Reference will always encompass all mandatory regulatory requirements. The Board will regularly review the Committee Terms of Reference.