



# Audit, Risk and Compliance Committee Charter

Dated: 15 July 2009

**RiverCity Motorway Management Limited**  
ACN 117 343 361 AFSL 297 867 as responsible entity for  
**RiverCity Motorway Investment Trust** ARSN 119 128 326 and  
**RiverCity Motorway Holding Trust** ARSN 119 128 193

# Audit, Risk and Compliance Committee

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## 1 Purpose of this Charter

### 1.1 Background

RiverCity Motorway Management Limited ACN 117 343 361 AFSL 297 867 (“**Responsible Entity**”) has been engaged to act as the Responsible Entity of two listed registered managed investment schemes, RiverCity Motorway Holding Trust ARSN 119 128 193 and RiverCity Motorway Investment Trust ARSN 119 128 326 (“**Stapled Trusts**”).

The Responsible Entity has engaged RiverCity Motorway Services Pty Limited ACN 117 139 992 (“**Manager**”) to manage the day to day operations of the Stapled Trusts for an initial term of 5 years.

### 1.2 Purpose

The purpose of this Audit, Risk and Compliance Committee Charter is to specify the authority delegated to the Audit, Risk and Compliance Committee (“**Committee**”) by the Board of the Responsible Entity (“**Board**”) and to set out the role, responsibilities, membership and operation of the Committee.

The Committee is a committee of the Board and is authorised by the Board to assist it in fulfilling its statutory and regulatory responsibilities. It has the authority and power to exercise the responsibilities set out in this Charter and under any separate resolutions of the Board granted to it from time to time.

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## 2 Role of the Committee - Audit

The role of the Committee - Audit is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:

- (a) the integrity of the Stapled Trusts’ external financial reporting and financial statements;
- (b) the appointment, remuneration, independence and competence of the Stapled Trusts’ external auditors;
- (c) the performance of the internal and external audit functions and review of the audits;
- (d) the effectiveness the Stapled Trusts’ system of risk management and internal controls; and
- (e) the Stapled Trusts’ systems or procedures for compliance with applicable legal and regulatory requirements.

The Committee will liaise with the Manager in performing its role, as the Manager is responsible for risk management and financial operations functions (including keeping accounting records and the preparation of financial statements) as part of the management services under the Management Deeds with the Responsible Entity.

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### **3 Role of the Committee – Internal Control & Risk Management**

The role of the Committee – is to assist the Board in carrying out its risk management obligations in accordance with the Group’s Risk Management Policy:

- developing a risk management policy, taking into account RiverCity’s legal obligations and the reasonable expectations of its stakeholders;
- implement an internal control system to manage RiverCity’s material business risks; and
- report to the board on whether the risks are being managed effectively.

Ultimate responsibility for risk management lies with the board, regardless of whether there is a separate committee. Good corporate governance principles suggest the board should require management to implement the risk management and internal control policy and report to it on whether those risks are managed effectively. The board should review the effectiveness of the implementation of the internal control system at least annually

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### **4 Role of the Committee – Compliance**

The role of the Committee – Compliance is to assist the Board in carrying out its compliance obligations:

- (a) to monitor to what extent the Responsible Entity complies with the scheme’s compliance plan and to report on its findings to the Responsible Entity;
- (b) to report to the Responsible Entity:
  - (i) any breach of the Corporations Law involving the scheme; or
  - (ii) any breach of the provisions included in the scheme’s constitution;of which the Committee becomes aware of that it suspects;
- (c) to report to ASIC if the Committee is of the view that the Responsible Entity has not taken, or does not propose to take,

appropriate action to deal with a matter reported under the preceding point; and

- (d) to assess at regular intervals (at least annually) whether the compliance plan for a scheme is adequate, to report to the Responsible Entity on the assessment and to make recommendations to the Responsible Entity about any changes that it considers should be made to the plan.

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## **5 Audit responsibilities**

### **5.1 External reporting**

The Committee is responsible for:

- (a) reviewing the appropriateness of the accounting principles adopted by the Manager in the composition and presentation of financial reports;
- (b) overseeing the preparation of financial reports and reviewing the results of external audits of these reports;
- (c) assessing significant estimates and judgments in financial reports by examining the processes used to derive material estimates and judgments and seeking verification of those estimates from internal and external auditors;
- (d) reviewing the Manager's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the preparation of accounts and external reporting by the Stapled Trusts of financial and non-financial information
- (e) assessing (before publication) whether external reporting is consistent with Committee members' information and knowledge and is adequate for unitholder needs;
- (f) reviewing material documents and reports prepared for lodgement with regulators, assessing their impact on the Stapled Trusts and making recommendations to the Board on their approval or amendment;
- (g) ensuring that a comprehensive process is established to capture issues for the purpose of continuous reporting to the ASX;
- (h) reviewing the completeness and accuracy of the Stapled Trusts' main corporate governance practices as required by the ASX Listing Rules;
- (i) assessing information from internal and external auditors that affects the quality of financial reports;

- (j) asking the external auditor for an independent judgment about the appropriateness of the accounting principles used and the clarity of financial disclosure practices used by the Stapled Trusts;
- (k) assessing solvency and the going concern assumption;
- (l) assessing the management of non-financial information in documents to ensure that conflicts with financial statements and other documents do not occur; and
- (m) recommending to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.

In fulfilling its responsibilities, the Committee will receive regular reports from the Manager.

## **5.2 External audit**

The Committee is responsible for:

- (a) making recommendations to the Board on the appointment and remuneration of the external auditor and, if appropriate, recommending that tenders be called to assist in deciding which external auditor should be recommended;
- (b) agreeing the terms of engagement of the external audit before the start of each audit;
- (c) reviewing the external auditor's fee and be satisfied that an effective, comprehensive and complete audit can be conducted for the external auditor's set fee;
- (d) monitoring the effectiveness and independence of the external auditor, and periodically assessing their performance;
- (e) reviewing the external auditor's independence based on the external auditor's relationships and services with the Stapled Trusts and other organisations;
- (f) assessing whether the external auditor's provision of non-audit services impairs or appears to impair their judgment or independence and, if required, developing policies for Board approval to ensure this does not occur;
- (g) making recommendations to the Board on the removal of the external auditor;
- (h) ensuring that any recommendation to replace the external auditor is carefully evaluated before the Board makes a final decision;

- (i) inviting the external auditor to attend Committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings;
- (j) reviewing the scope of the external audit including identified risk areas and any additional procedures with the external auditor on a periodic basis;
- (k) raising with the external auditor any specific points of divergence with the Manager;
- (l) monitoring and examining the Manager's response to the external auditor's findings and recommendations;
- (m) reviewing all representation letters signed by the Manager and ensure all information provided is complete and appropriate;
- (n) meeting with the external auditor without management present at least once a year; and

In fulfilling its responsibilities, the Committee will receive regular reports from the Manager.

### **5.3 Internal audit**

The Committee is responsible for:

- (a) approving the appointment, terms of engagement and dismissal of the chief internal audit officer;
- (b) overseeing the scope of the internal audit and having access to the internal audit function without management presence;
- (c) reviewing the internal auditor's charter, role, responsibilities and resources;
- (d) communicating its expectations to the internal auditor in writing;
- (e) ensuring that the internal auditor reports directly to both Management and to the Committee;
- (f) reviewing and approving the internal audit plan and work program;
- (g) evaluating the effectiveness of the internal audit plan and work program and considering the implications of internal audit findings;
- (h) evaluating the Manager's responsiveness to the internal auditor's findings and recommendations;
- (i) assessing the performance, effectiveness and objectivity of the internal audit function;

- (j) overseeing the co-ordination of the internal auditor with the external auditor; and
- (k) meeting with the internal auditor without the presence of management at least once a year.

In fulfilling its responsibilities, the Committee will receive regular reports from the Manager.

#### **5.4 Internal Control and Risk Management**

The Committee is responsible for:

- (a) preparing a risk profile which describes the material risks facing the Stapled Trusts including financial and non-financial matters;
- (b) regularly reviewing and updating the risk profile;
- (c) ensuring that the Stapled Trusts has an effective risk management system;
- (d) assessing and ensuring that there are internal processes for determining and managing key risk areas, such as:
  - (i) non compliance with laws, regulations, standards and best practice guidelines including industrial relations, occupational health and safety, environmental and trade practices laws;
  - (ii) important judgements and accounting estimates;
  - (iii) business licence requirements;
  - (iv) litigation and claims;
  - (v) fraud and theft; and
  - (vi) relevant business risks not dealt with by other Board committees;
- (e) receiving reports concerning material and actual incidents within the risk areas above and ensuring that macro risks are reported to the Board at least annually;
- (f) conducting investigations of breaches or potential breaches of internal controls, and incidents within the risk areas above, particularly in relation to accounts and financial reporting;
- (g) evaluating the independence of external auditors;
- (h) examining and evaluating the effectiveness of the internal control system with management and internal and external auditors and making improvements;

- (i) ,making publicly available a description of the Stapled Trusts' risk management policy and internal compliance and control system in the corporate governance section of the Stapled Trusts' website;
- (j) encouraging voluntary reporting by employees to the internal auditor or the Committee of breaches of internal controls and Stapled Trusts' policies, and incidents within the risk areas above;
- (k) assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of risk; and
- (l) meeting periodically with key management, internal and external auditors and compliance staff to understand the Stapled Trusts' control environment.

## **5.5 Related Party Transactions**

The Committee is responsible for reviewing and monitoring the propriety of related party transactions.

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# **6 Compliance Responsibilities**

Under the Corporations Law a member of the Committee must:

- (a) act honestly;
- (b) exercise the degree of care and diligence that a reasonable person would exercise if they were in the member's position;
- (c) not make use of information acquired through being a member of the Committee in order to:
  - (i) gain an improper advantage for the member or another person; or
  - (ii) cause detriment to the members of the scheme; and
- (d) not make improper use of their position as a member of the Committee to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to the members of the scheme.

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# **7 Membership**

## **7.1 Composition and size**

The Committee will consist of three members, with a majority of external members; and

- (a) when required will consist of a majority of independent Directors; and

- (b) in all other respects comply with the ASX's Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

Membership is reviewed periodically and re-appointment to the Committee is not automatic. Appointments and resignations are decided by the Board.

## **7.2 Chairperson**

The chairperson of the Committee will be an external member. The chairperson of the Committee will not be the chairperson of the Board. The chairperson of the Committee is appointed by the Board. If, for a particular Committee meeting, the Committee chairperson is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect a chairperson for the meeting.

## **7.3 Technical expertise**

The Committee must be structured so that:

- (a) all members are financially literate, that is, are able to read and understand financial statements;
- (b) at least one member has financial expertise, that is, is an accountant or financial professional with experience of financial and accounting matters;
- (c) some members have an understanding of the industry in which the Stapled Trusts operate; and
- (d) all members have an understanding of ASX Corporate Governance Guidelines, Listed Entity and managed investment obligations.

## **7.4 Skills development**

If the Committee chairperson approves, a Committee member may attend seminars or training related to the functions and responsibilities of the Committee at the Stapled Trusts' expense.

## **7.5 Commitment of Committee members**

Committee members must devote the necessary time and attention for the Committee to carry out its responsibilities.

At the first Committee meeting after their appointment and when the Board reviews Committee membership, each Committee member must confirm that they are able to devote sufficient time and attention to the Committee for the coming year.

## **7.6 Secretary**

The company secretary of the Responsible Entity is the secretary of the Committee. The secretary need not be a member of the

Committee. The secretary (or his or her alternate, who also need not be a member of the Committee) will be entitled to attend Committee meetings and will carry out the following functions:

- (a) prepare and issue notices of meeting of the Committee, including meeting agendas;
- (b) maintain the minutes of Committee meetings;
- (c) maintain records of the reports and recommendations of the Committee; and
- (d) perform other tasks of a secretarial nature to assist the Committee.

The secretary must ensure that the minutes and other records of the Committee are available to the Committee, the Directors, the scheme auditor and the compliance plan auditor.

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## **8 Committee meetings and processes**

### **8.1 Meetings**

Meetings and proceedings of the Committee are governed by the provisions in the Stapled Trusts' constitutions regulating meetings and proceedings of the Board and committees of the Board in so far as they are applicable and not inconsistent with this Charter.

### **8.2 Frequency and calling of meetings**

The Committee will meet as frequently as required to undertake its role effectively. The meetings will initially be held at least every three months and more frequently as required. The chairperson must call a meeting of the Committee if requested by any member of the Committee, the external auditor, the internal auditor or the chairperson of the Board.

### **8.3 Quorum**

Two members constitute a quorum for meetings of the Committee.

### **8.4 Attendance by management and advisors**

The Chief Financial Officer/Company Secretary of the Manager is expected to attend each scheduled meeting of the Committee and a standing invitation will be issued to the internal and external auditors.

The Committee chairperson may also invite Directors who are not members of the Committee, other senior managers and external advisors to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as required.

The scheme auditor or the compliance plan auditor, and any invitee of RCY or of any Committee member, may attend and speak at the Committee meeting.

#### **8.5 Agenda and documents**

The chairperson of the Committee determines the meeting agenda after appropriate consultation.

The Committee secretary distributes the agenda and any related documents to all Committee members and other attendees before each proposed meeting.

#### **8.6 Access to information and advisors**

The chairperson of the Committee receives all reports between the external auditor and management, and the internal auditor and management.

The Committee has the authority to:

- (a) require management or others to attend meetings and to provide any information or advice that the Committee requires;
- (b) access the Stapled Trusts' documents and records;
- (c) obtain the advice of special or independent counsel, accountants or other experts, without seeking approval of the Board or management; and
- (d) access management, internal and external auditors.

#### **8.7 Minutes**

The secretary will keep minute books to record the proceedings and resolutions of its meetings.

The chairperson of the Committee, or delegate, will report to the Board after each Committee meeting. Minutes of Committee meetings will be included in the papers for the next Board meeting after each Committee meeting.

#### **8.8 Disclosure of interests**

A Committee member must disclose to the next meeting of the Committee after they become aware of:

- (a) a direct or indirect pecuniary interest that they have in a matter being considered or about to be considered by the meeting if it could conflict with the proper performance of their duties in relation to the consideration of the matter; and

- (b) such other things (if any) as the Corporations Law requires,

and disclosure must be recorded in the minutes.

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## **9 Other matters**

### **9.1 Terminating the Committee**

- (a) The Board may advise the Committee that the Committee is no longer appointed to act for a scheme if the Corporations Law does not require a Committee for that scheme (for example, because at least half of the Directors of RCY are external Directors).
- (b) The Committee for a scheme ceases to be appointed for a scheme on completion or the winding up of the scheme.

### **9.2 Delegating functions**

A Committee member may not delegate his or her functions to another person without the approval of the chair.

### **9.3 Alternates**

A Committee member may appoint a person acceptable to RCY to be their alternate member. If the Committee member is an external member, the alternate must qualify as an external member. The Committee member will be responsible for the remuneration of any alternate.

### **9.4 Use of external advisors**

Without fettering the right of the Committee to obtain independent professional advice or assistance from external advisers in accordance with section 601JC(2) of the Corporations Law, it is recognised that cost is an issue and that external professional advice or assistance should only be sought where this is reasonably necessary for the Committee to carry out its role.

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## **10 Committee's performance evaluation**

The Committee will review its performance from time to time, or whenever there are major changes to the management structure of the Stapled Trusts or the RiverCity Motorway Group.

The performance evaluation will have regard to the extent to which it has met its responsibilities in terms of this charter.

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## **11 Review and publication of charter**

The Board will review this charter to ensure it remains relevant to the current needs of the Stapled Trusts. The charter may be amended by resolution of the Board.

The charter is available on the RiverCity Motorway Group's website and the key features are published in the annual report.

Adopted by the Board on 15 July 2009.

