

**MACQUARIE TELECOM  
GROUP LIMITED**

**AUDIT COMMITTEE CHARTER**

**Adopted by the Board: 3 April 2007**

## **A. Introduction**

This charter governs the operations of the Audit Committee of Macquarie Telecom Group Limited. The Committee will review and reassess the charter at least annually and obtain the approval of the Board to any changes to the charter.

## **B. Organisation**

### **1. Membership**

The Committee will be members of, and appointed by, the Board and will comprise at least three directors that have diverse, complementary backgrounds, the majority of whom are independent of management and the Company. The Committee chair must not be the chair of the Board and must have leadership experience and a strong finance, accounting and/or business background.

All Committee members must be financially literate, or be made financially literate within a reasonable time of their appointment. Further, at least one member must have accounting and/or related financial management expertise as determined by the Board.

Members of the Committee will be considered independent so long as they meet the criteria for independence outlined by the ASX Corporate Governance Council in its *Principles of Good Corporate Governance and Best Practice Recommendations* released in March 2003. The only compensation will be directors' fees for services provided to the Committee.

### **2. Meetings**

The Committee must meet often enough to undertake its role effectively. The purpose of these meetings will be to:

1. Review and approve business risk management and external audit plans.
2. Review and approve the half-year financial report.
3. Update the internal and external audit plans.
4. Review and approve the annual financial report.

Further, the Committee must meet in private session at least annually to assess management's effectiveness.

The Committee should keep minutes of its meetings and these should ordinarily be included in the papers for the next full Board meeting after each Committee meeting.

## **C. Purpose**

The Committee must provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems, and the internal and external audit functions. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, the external auditors, the business risk manager, and management of the Company.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

## **D. Duties and Responsibilities**

The following will be the principal duties and responsibilities of the Committee. These are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

### **1. Understanding the business**

The Committee must ensure it understands the Company's structure, controls, and types of transactions in order to adequately assess the significant risks faced by the Company in the current environment.

### **2. Financial reporting**

The primary responsibility of the Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of its activities to the Board.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits.

The Board is responsible for the Company's financial reports including the appropriateness of the accounting policies and principles that are used by the Company. The external auditors are responsible for auditing the Company's financial reports and for reviewing the Company's unaudited interim financial reports.

The Committee, in carrying out its responsibilities, must ensure that its policies and procedures remain flexible, in order to best react to changing conditions and circumstances. The Committee should take appropriate actions to set the overall corporate 'tone' for quality financial reporting, sound business risk practices, and ethical behaviour.

### **3. Assessment of accounting, financial and internal controls**

The Committee will discuss with management, the business risk manager and the external auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk. Any opinion obtained from the internal or external auditors on the Company's choice of accounting policies or methods should include an opinion on the appropriateness and not just the acceptability of that choice or method.

The Committee will meet separately periodically with management, the business risk manager, and the external auditors to discuss issues and concerns warranting Committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement. The Committee will provide sufficient opportunity for the business risk manager and the external auditors to meet privately with the members of the Committee. The Committee will review with the external auditors any audit problems or difficulties and management's response.

The Committee will receive regular reports from the external auditors on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.

#### **4. Appointment of external auditors**

The Committee will be directly responsible for making recommendations to the Board on the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the external auditors, including resolution of disagreements between management and the auditor regarding financial reporting. The Committee will pre-approve all audit and non-audit services provided by the external auditors and must not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditors' judgment or independence in respect of the Company. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.

#### **5. Assessment of the external audit**

At least annually, the Committee must obtain and review a report by the external auditors describing (or meet, discuss and document the following with them):

- the audit firm's internal quality control procedures;
- any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
- all relationships between the external auditors and the Company (to assess the auditors' independence).

In addition, the Committee must set clear hiring policies for employees or former employees of the external auditors in order to prevent the impairment or perceived impairment of the external auditors' judgment or independence in respect of the Company.

#### **6. Independence of the external auditors**

The Committee must review and assess the independence of the external auditors, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditors' judgment or independence in respect of the Company. Furthermore, the Committee must draft an annual statement for inclusion in the Company's annual report of whether the Committee is satisfied that the provision of non-audit services is compatible with external auditor independence.

#### **7. Scope of the external audit**

The Committee will discuss with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures. In addition, the Committee will also review the external auditors' compensation to ensure that an effective, comprehensive and complete audit can be conducted for the agreed compensation level.

#### **8. Assessment of the business risk management function**

The Committee will review the business risk management function's annual plan and resources and discuss the scope of the business risk management review with the business risk manager, including the annual plan, work program and quality control procedures.

## **9. Reporting**

The Committee should report to the Board. The report should contain all matters relevant to the Committee's duties and responsibilities, including:

- assessment of whether external reporting is consistent with members' information and knowledge and is adequate for shareholder needs;
- assessment of the management processes supporting external reporting;
- procedures for the selection and appointment of the external auditors and for the rotation of external audit engagement partners;
- recommendations for the appointment or removal of an auditor;
- assessment of the performance and independence of the external auditors and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
- assessment of the performance and objectivity of the business risk management function; and
- the results of its review of risk management and internal compliance and control systems.

## **10. Communications with stakeholders**

The Committee must review the full-year and half-year financial reports prior to the filing of these with the ASX. Also, the Committee will discuss the results of the annual audit and the half-year review and any other matters required to be communicated to the Committee by the external auditors under generally accepted auditing standards. The chair of the Committee may represent the entire Committee for the purposes of this review.

The Committee will review all representation letters signed by management to ensure that the information provided is complete and appropriate.

The Committee must establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The Committee will receive corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duty.

## **11. Committee performance**

The Committee must endeavour to continually review the manner in which it performs its functions to identify and, if thought appropriate, implement, measures to improve that performance.