



ELECTRICITY RETAIL CORPORATION

AUDIT AND LEGAL COMPLIANCE COMMITTEE

Terms of Reference

1. PURPOSE

- 1.1 Electricity Retail Corporation trading as Synergy (**Synergy**) established under Section 13 of the *Electricity Corporations Act 2005*. The Audit and Legal Compliance Committee (**Committee**) is a Committee of the Board.
- 1.2 These terms of reference for the Committee establish the authority, responsibility and accountability conferred on the Committee by the Board.
- 1.3 The primary function of the Committee is to assist the Board in fulfilling its fiduciary duties and corporate governance and oversight responsibilities. The Committee will achieve this role by overseeing:
 - The adequacy of the financial reporting, principles and policies, internal controls and procedures.
 - The integrity and quality of financial statements and the independent audit of those statements.
 - Compliance with the relevant regulatory and legal requirements.
 - The internal audit function.
 - The identification and management of business risks by Management.
 - That Synergy aims to achieve best practice where appropriate.
- 1.4 The Committee will report regularly to the Board on each of the matters referred to in clause 1.3.

2. DUTIES AND RESPONSIBILITIES

The following duties are structured in accordance with the Committee's purpose:

- 2.1 External Audit
 - Review the annual audit plan and discuss with external audit the audit approach and the key areas that the external audit will focus on for the year.
 - Ensure that the annual audit is completed before 30 September each year.
 - Facilitate the entrance and exit interviews with the external auditors.
 - Determine that no management restrictions are being placed upon the external auditors.
 - Review written external audit reports and monitor the management responses and actions to rectify the noted deficiencies.

- Review the management letter responses to the external auditors prior to submission of those responses.
- Resolve any disagreements between the external auditor and management regarding Synergy's financial reporting.
- Invite the external auditor as an observer on the Committee.

2.2 Internal Audit

- Appoint the Internal Auditor.
- Review Internal Audit reports and monitor management's responses and actions to rectify the noted deficiencies.
- Evaluate the effectiveness of Internal Audit.
- Review the annual internal audit plan.
- Review Internal Audit practices.
- Review the Internal Audit charter annually.
- Ensure Internal Audit has unrestricted access to all of the Corporation's records, personnel and information.

2.3 Financial Reporting

- Monitor the reliability and integrity of financial information and associated information systems, including compliance with legislation, accounting standards and generally accepted accounting practice.
- Review the quality and appropriateness of the accounting policies, practices and financial reporting disclosures and any changes thereto.
- Review the pro forma statutory accounts.
- Review significant adjustments resulting from the audit.
- Review major or judgemental areas/unusual transactions.
- Recommend for board approval the financial statements for the year ended 30 June.

2.4 Risk Management

- Oversee the assessment of the Corporation's risk framework in order to gain an understanding of the key risks affecting financial, operational and regulatory risks exposures, including trading risks.
- Receive reports from management concerning the resolution of significant risk exposures identified.
- Monitor the effectiveness of the internal control systems designed to minimise risk exposure.
- Receive reports from management concerning the risk implications of new emerging risks, organisational change and major initiatives.
- Review with the Chief Financial Officer and/or Company Secretary any significant financial risks and the adequacy and appropriateness of the Corporation's insurance coverage and liaise with the Board (in the future a Financial Risk Management Committee may be established) to ensure the all risks are adequately dealt with to provide internal audit support to those committees.

2.5 Statutory and Regulatory Compliance

- Monitor the adequacy and effectiveness of the Corporation's management and control systems designed to recognise the requirement of applicable laws and regulations and ensure compliance to these requirements.
- Review the effectiveness of the system for monitoring compliance with laws and regulations with particular emphasis on key risk areas including, but not limited to Electricity Industry legislation, Workplace Health and Safety, Environmental Protection, Employment and Equal Opportunity, Trade Practices and Consumer Protection Legislation.
- Monitor significant litigation, claim or contingency that may have a potential material effect upon the financial or operating results of Synergy and how they have been disclosed.
- Review the adequacy of the Corporation's insurance policies to ensure the policies adequately cover the nature and value of the potential loss.
- Review reports on all frauds or thefts.

3. POWERS

- 3.1 Subject to any resolution of the Board the Committee is required to make recommendations to the Board and does not have any executive powers to commit the Board or management to the implementation of these recommendations.
- 3.2 The Committee has unrestricted access to executives of the Corporation, to the internal auditors and the external auditors in order to fulfil its purpose and undertake its duties.
- 3.3 The Committee has the power to direct any special investigations deemed necessary.

4. MEMBERSHIP

- 4.1 The members of the Committee shall be:
- Any member of the Board appointed by the Board.
 - Any other person appointed by the Board.
- 4.2 The persons occupying the following positions will have a standing invitation to attend Committee meetings as required:
- Managing Director/Chief Executive Officer
 - Chief Financial Officer, or nominated representative
 - Manager Internal Audit
 - General Counsel & Company Secretary to the Board.
 - The external auditor.

- 4.3 The Committee may at its discretion invite other persons to attend the meeting of the Committee. Invitees have no voting rights and will only participate in business if invited to do so by the Chairman.
- 4.4 The Committee shall consist of not less than two and up to four non-executive directors. Members must declare that they are not subject to any relationships that might in the opinion of the Board be viewed as a conflict of interest.
- 4.5 The term of appointment is at the discretion of the Board.
- 4.6 A quorum of the Committee will be the majority of the members of the Committee.
- 4.7 The Board will appoint the Chairman.
- 4.8 The Company Secretary will keep minutes of the meetings. The Company Secretary will:
- In consultation with the Chairman of the Committee, prepare the agenda for each meeting.
 - Take minutes and keep a record of the signed minutes.
 - Circulate the agenda at least one week prior to the meeting.
 - Distribute the papers prepared for the meetings as soon as practical prior to the meeting.
- 4.9 The Committee will review the terms of reference yearly to ensure all areas are being addressed.

5. MEETINGS

- 5.1 The Committee will meet between four to six times each calendar year or as frequently as it needs to discharge its duty.
- 5.2 The Chairman will convene a special meeting if so requested by any Committee member, the Board or External Audit. The Manager Internal Audit may request a special meeting with the Committee at any time it is considered necessary.