
**TOTE TASMANIA PTY LTD
AUDIT, RISK AND COMPLIANCE COMMITTEE
TERMS OF REFERENCE**

(Applicable to TOTE Tasmania Pty Ltd and all subsidiary entities)

1. COMPOSITION

- 1.1 The Board of Directors of TOTE Tasmania Pty Ltd shall appoint a sub committee of not less than two non-executive independent directors to be known as the Audit, Risk and Compliance Committee (“the Committee”).
- 1.2 The Board will nominate the Chairman of the Committee from among the members of the Committee annually.

2. OBJECTIVES

The primary objective of the Committee is to assist the Board in fulfilling their Corporate Governance responsibilities with respect to audit, risk and compliance matters for TOTE Tasmania Pty Ltd by monitoring and advising on:

- 2.1 The truth and fairness of the view given by the financial statements of TOTE Tasmania Pty Ltd;
- 2.2 The integrity of TOTE Tasmania Pty Ltd’s accounting and financial reporting;
- 2.3 TOTE Tasmania Pty Ltd’s accounting policies and practices and consistency with current and emerging accounting standards;
- 2.4 The external auditors’ scope, independence and performance;
- 2.5 The independence and performance of the internal audit function;
- 2.6 Compliance with legal and regulatory requirements;
- 2.7 Compliance with TOTE Tasmania Pty Ltd’s policy framework;
- 2.8 Internal controls and TOTE Tasmania Pty Ltd’s control environment;
- 2.9 Review all related party transactions and assess their appropriateness;
- 2.10 The overall efficiency and effectiveness of financial operations; and
- 2.11 TOTE Tasmania Pty Ltd’s overall risk management program, including the insurance coverage and portfolio.

3. DUTIES AND RESPONSIBILITIES

The Committee will:

3.1 Financial Reporting

- 3.1.1 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 3.1.2 Oversee the periodic financial reporting process implemented by management and review the interim financial statements, annual financial statements and preliminary announcements prior to their release to determine whether they are complete, reflect appropriate accounting principles,

contain appropriate disclosures, and are consistent with the information known to Committee members. In discharge of this responsibility the Committee is to:

- Ensure accounting policies are consistently applied and any new accounting standards requirements, related to TOTE Tasmania Pty Ltd, are appropriately reflected.
 - Consider the need for, appropriateness of, and correct disclosure of, any changes made to TOTE Tasmania Pty Ltd's existing accounting policies.
 - Pay particular attention to complex and/or unusual transactions.
 - Focus on judgemental areas of the financial statements.
 - Review management's periodic written representations to the Board in relation to the information in the financial statements including the CEO and CFO's written statements that TOTE Tasmania Pty Ltd's financial reports present a true and fair view, in all material respects, of TOTE Tasmania Pty Ltd's financial condition and operational results and are in accordance with relevant accounting standards, and that the written statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.
 - Review and assess any significant accounting estimates and judgements made in the financial reports. The Committee must understand the basis of, and method used in, deriving the estimate or judgement and assess whether it was reasonable. The Committee may seek the opinion of the external auditors in assessing whether the estimate or judgement was reasonable.
 - Meet with management and the external auditors to review the financial statements and the results of the audit.
 - Ensure that any significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practices have been discussed with the external auditor.
- 3.1.3 Discuss with management significant movements in the financial statements between periods and from budget and ensure that explanations are consistent with the Committee's understanding of the business.
- 3.1.4 Review the other sections of the Annual Report before its release and consider whether the information is easily understood and consistent with members' knowledge about TOTE Tasmania Pty Ltd and its operations.
- 3.1.5 Liaise with the Remuneration Committee to ensure all remuneration based accounting requirements have been complied with (including any disclosure requirements).

3.2 Risk Management

- 3.2.1 Articulate and formalise TOTE Tasmania Pty Ltd's policy for the oversight and management of business risks.
- 3.2.2 Oversee the establishment and implementation of TOTE Tasmania Pty Ltd's risk management system and its resourcing.
- 3.2.3 Ensure that TOTE Tasmania Pty Ltd identifies, reviews and regularly updates the profile of the principal strategic, operational, legal and financial risks to which it is exposed.
- 3.2.4 Review and monitor the performance of management in implementing risk management responses and internal control rectification activities and ensure that there are appropriate systems in place for identifying and monitoring significant risks, and that these are operating as intended.
- 3.2.5 Review trends in TOTE Tasmania Pty Ltd's risk profile, reports on specific risks and the status of the risk management process.
- 3.2.6 Review, at least annually, the CEO and CFO's written statements as to the effective and efficient operation of TOTE Tasmania Pty Ltd's risk management, internal compliance and control systems.

- 3.2.7 Liaise with the Remuneration Committee to ensure that executive remuneration risks and controls are reviewed, updated and linked to the corporate risk strategy and assurance program.
- 3.2.8 Select the organisation to provide insurance broking services to TOTE Tasmania and recommend the appointment of that organisation by the Board of Directors.
- 3.2.9 Review and recommend to the Board of Directors the approval of the annual insurance program as submitted by the broker.
- 3.2.10 Assess the efficiency and effectiveness of the annual insurance program and other services provided by the Company's insurance broker.
- 3.2.11 Oversee the investigation into other insurance matters as may be necessary from time to time.

3.3 Internal Control

- 3.3.1 Ensure any internal control recommendations made by the internal and/or external auditors and approved by the Committee have been implemented by management.
- 3.3.2 Understand TOTE Tasmania Pty Ltd's IT strategy and its IT security arrangements.
- 3.3.3 Evaluate the process TOTE Tasmania Pty Ltd has in place for assessing the effectiveness and efficiency of internal controls, and continuously improving internal controls, particularly those related to areas of significant risk.
- 3.3.4 Assess whether management has appropriate controls in place for unusual types of transactions and/or any particular transactions that may carry more than an acceptable degree of risk.

3.4 Compliance with Laws and Regulations

- 3.4.1 Review the effectiveness of the system for monitoring compliance with laws and regulations.
- 3.4.2 Review the results of management's investigation and follow-up (including disciplinary action) for any identified acts of non-compliance.
- 3.4.3 Obtain regular updates from management and TOTE Tasmania Pty Ltd's legal representatives regarding compliance matters that may have a material impact on TOTE Tasmania Pty Ltd's reputation or financial statements.
- 3.4.4 Make appropriate enquiries to satisfy itself that all regulatory compliance matters related to the business of TOTE Tasmania Pty Ltd have been considered in the preparation of the financial statements.
- 3.4.5 Review the findings and recommendations of any examinations by regulatory agencies.
- 3.4.6 Ensure compliance with all regulatory and legal requirements relating to foreign operations.

3.5 External Audit (completed by the Tasmanian Auditor General or nominee)

- 3.5.1 Make recommendations to the Board in relation to the appointment, reappointment, replacement, remuneration, effectiveness and independence of the external auditor.
- 3.5.2 Review and, with the approval of the Board, agree on the terms of engagement for the external auditor prior to starting each audit.
- 3.5.3 Review the external auditor's proposed audit scope and audit approach, including materiality levels, for the current year in light of TOTE Tasmania Pty Ltd's circumstances and changes in regulatory and other requirements.
- 3.5.4 Receive annual independence declarations from the external auditor to the Board.

- 3.5.5 Ensure that there is a two-year period before the external auditor can be appointed as a director or officer of TOTE Tasmania Pty Ltd.
- 3.5.6 Assess whether the various relationships between the external auditor and TOTE Tasmania Pty Ltd as a whole may impair, or appear to impair, the auditor's judgement or independence in respect of TOTE Tasmania Pty Ltd.
- 3.5.7 Ensure that any partner with a 'significant role' on the external audit has not served for a period of longer than five years prior to the current year.
- 3.5.8 Regularly review, with the external auditor, any audit problems or difficulties the auditor encountered in the normal course of audit work including any restrictions on audit scope or access to information.
- 3.5.9 Ensure significant findings and recommendations made by the external auditors are received and discussed by the Committee on a timely basis.
- 3.5.10 Ensure management responds promptly to recommendations made by the external auditors.
- 3.5.11 Discuss with the external auditor the quality of accounting policies applied in TOTE Tasmania Pty Ltd's financial reporting.
- 3.5.12 Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
- 3.5.13 Review and approve the external auditor's arrangements for the rotation and succession of audit and review partners including their approach to managing the transition.
- 3.5.14 Review all representation letters to the external auditors signed by management.
- 3.5.15 Request the external auditor to attend Annual General Meetings of the company and be available to answer any shareholder's question within the area of the auditor's opinion and expertise, including but not limited to:
 - The conduct of the most recent audit;
 - Preparation and content of the audit report;
 - Accounting policies adopted by the company in relation to preparation of financial statements; and
 - The independence of the auditor in relation to the conduct of the most recent audit.

3.6 Internal Audit

- 3.6.1 Review and approve the scope of the internal audit work plan for the coming year, its coverage of key risks and the level of co-ordination with the external auditor.
- 3.6.2 Advise the Board on the appointment, promotion or dismissal of the Internal Audit firm.
- 3.6.3 Ensure that the annual work plan of internal audit will provide appropriate support for the CEO and CFO written statements to the Board on the efficiency and effectiveness, in all material respects, of TOTE Tasmania Pty Ltd's risk management, internal compliance and control systems.
- 3.6.4 Monitor progress against the annual work plan including any significant changes to it, any difficulties or restrictions on scope of activities and any significant disagreements with management.
- 3.6.5 Review the independence, performance and effectiveness of the internal audit function on an annual basis and ensure that it has appropriate standing within TOTE Tasmania Pty Ltd.
- 3.6.6 Meet separately with the Internal Auditor to discuss any matters that the Committee or the Internal Auditor believe should be discussed privately.

- 3.6.7 Ensure significant findings and recommendations made by internal audit are received, discussed and a course of action is agreed upon and implemented by management on a timely basis.

3.7 Related Party Transactions

- 3.7.1 The Committee should review and monitor all related party transactions to identify whether consideration should be given to seeking shareholder approval.

- 3.7.2 The Committee will:

- Ensure compliance with legislation in relation to director-related transactions.
- Approve all contracts with related parties of TOTE Tasmania Pty Ltd.
- Approve all disclosures in relation to related party transactions.

3.8 Other

- 3.8.1 Oversee the information received and the action taken by TOTE Tasmania Pty Ltd in relation to matters affecting TOTE Tasmania Pty Ltd's audit, financial statements or internal controls and any instances of possible fraud raised by an internal whistleblower or in relation to a complaint made by a third party.

- 3.8.2 Assess the relationship between the internal and external auditors and the efficiency of TOTE Tasmania Pty Ltd's assurance activities, on an annual basis.

4.0 MEETINGS

- 4.1 The Committee will meet not less four times in each financial year, such meetings usually being held not less than two weeks before a scheduled ordinary meeting of the full Board of TOTE Tasmania Pty Ltd.
- 4.2 The Committee will appoint a person to act as Secretary to the Committee.
- 4.3 The Secretary of the Committee shall be responsible, in conjunction with the Chairperson, for drawing up the agenda and circulating it in accordance with the timetable determined by the Committee, supported by explanatory documentation to Committee members, a minimum of five days prior to each meeting.
- 4.4 The Secretary will also be responsible for keeping the minutes of meetings of the Committee and circulating them to Committee members. The Secretary will provide prompt and clear written advice to officers who are responsible for the implementation of the Committee's decisions.
- 4.5 The Committee may co-opt officers of TOTE Tasmania Pty Ltd and may invite representatives of contracted Internal and External Auditors (including the Auditor General or his representatives), Insurance Brokers or other external advisors to attend meetings and assist the Committee as required from time to time.
- 4.6 A quorum shall consist of two members.

5.0 ACCESS

- 5.1 The Committee shall have unlimited access to the Internal and External Auditors (including the Auditor General or his representatives), Insurance Brokers or other external advisors of TOTE Tasmania Pty Ltd. The Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the companies and has the authority to consult independent experts where they consider it necessary to carry out their duties.

6.0 REPORTING

- 6.1 The Committee Chairman will present a verbal report on the Committee's meeting to the first ordinary meeting of the Board of Directors of TOTE Tasmania Pty Ltd after each Committee Meeting.
- 6.2 Papers considered by the Committee which require Board approval will be distributed with the minutes.

- 6.3 It is highly desirable that the minutes of the Committee's meetings will be forwarded to each of the Directors of TOTE Tasmania Pty Ltd within the Board papers. If for any reason this cannot be achieved, the Chairman of the Committee will give a verbal report to the Board Meeting and the minutes will be provided to the following Board Meeting.

7.0 SELF ASSESSMENT

- 7.1 The Committee shall assess its effectiveness periodically, with a view to ensuring that its performance accords with best practice.
- 7.2 The Committee's Terms of Reference shall be review annually and updated as required.