



AUDIT, RISK & COMPLIANCE  
WEB SITE STATEMENT

## Audit, Risk & Compliance Web Site Statement

SMS Management & Technology Limited (SMS) (ASX:SMX) has a number of policies in relation to its audit and risk management responsibilities as well as a related internal compliance and control systems. Set out below is a summary only of some of the features of the audit risk management policies and internal compliance and control system.

There are a range of specific risks that have the potential to have an adverse impact on SMS's business.

**Financial risk:** The Board has adopted a number of financial risk strategies and policies to address market price risk, liquidity risk, credit risk and corporate and bank guarantees.

**Business risk:** A range of policies and procedures deal with specific business risks, including:

- Delegation of Authority policy and guiding principles;
- Capital investment processes;
- Corporate conduct; and
- Litigation reporting.

**Operational risk:** Policies for operational risk have been developed, including:

- Health, Safety and Environment;
- Asset protection and operational security;
- Information Technology; and
- Insurance.

Procedures exist to monitor risk, with ultimate reporting to the Board, through the Audit, Risk & Compliance Committee for financial and business risk and the Chief Executive Officer for operational risk.

### Internal Compliance and Control

The Board ultimately has responsibility for internal compliance and control. The Audit, Risk & Compliance Committee has responsibility for ensuring that internal control systems are in place to monitor and manage risk.

In addition to the risk management policies noted above, SMS has an internal compliance and control system based on the following a financial reporting control system that aims to ensure that financial reporting is both accurate and timely.

### **Financial reporting control systems**

SMS has a number of financial control processes to ensure that the information that is presented to senior management and the Board is both accurate and timely. The control processes include, among other things:

- Annual audit and half year review by the external auditor;
- Management review of the balance sheet and internal control environment;
- Monthly review of financial performance compared to budget and forecast;
- Ongoing monitoring of accounting policy to ensure consistent application across all SMS entities; and
- Analysis of financial performance and significant balance sheet items to comparative periods.