



AUDIT AND RISK COMMITTEE CHARTER

1. PRIMARY OBJECTIVE

The Audit and Risk Committee (the Committee) is a committee of the Board of Port of Townsville Limited (the Port).

The primary objective of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in respect to the quality and integrity of financial reporting, the performance of the external audit, effectiveness and objectivity of the internal audit plan, and oversight of the internal control system for financial reporting, accounting records, business risks and compliance activities.

The Committee does not replace or replicate established management responsibilities and delegations, the responsibilities of other executive management groups within the Port, or the reporting lines and responsibilities of either the internal audit or external audit functions. The Committee does not have executive power with regard to its findings and recommendations.

2. DUTIES AND RESPONSIBILITIES

The Committee shall consider any matters relating to the integrity of governance controls, audit and risk management practices of the Port. In addition, the Committee shall examine any other matters referred to it by the Board of Directors.

Specific duties and responsibilities of the Committee include reviewing and making recommendations to the Board in relation to:

- the Port’s corporate governance framework, including its systems of internal control;
- the adequacy of the Port’s corporate reporting processes and internal control framework;
- whether the Port’s financial statements reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Port;
- the appropriateness of the accounting judgements or choices exercised by management in preparing the Port’s financial statements;
- the scope and adequacy of the external audit;
- the appointment or removal of the internal auditor, the scope and adequacy of the internal audit work plan and the independence, objectivity and performance of the internal audit function;
- the progress of the internal audit work plan and monitor management’s responses to, and implementation of, the recommendations and findings identified;
- monitoring management’s performance against the Port’s risk management framework, including whether it is operating within the risk appetite set by the Board;
- any material incident involving fraud or a break-down of the port’s risk controls and the “lessons” learnt;
- ensuring the integrity and consistency of the Port’s corporate culture relative to ethical conduct and probity, including in relation to its tendering, contracting and other procurement processes;
- reports from internal audit on its reviews of the adequacy of the Port’s processes for managing risk;
- reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks;
- changes that should be made to the Port’s risk management framework or to the risk appetite set by the Board;

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- the Port’s insurance program, having regard to the Port’s business and the insurable risks associated with its business
- the effectiveness of the Port’s compliance framework to ensure compliance with applicable laws, regulations, standards and best practice guidelines.

In the discharge of its responsibilities the Committee must provide prompt and constructive advice, and report its findings to the Board of Directors, particularly where issues are identified that could present a material risk or threat to the Port.

In the discharge of its responsibilities, the Committee will provide reasonable assurance to the Board of Directors that the Port’s core business goals and objectives are being achieved in an efficient and economical manner, within an appropriate framework of internal control and risk management. The discharge of these responsibilities principally involves the consideration of audit and audit-related findings, including in respect of performance management.

In the assessment of audit findings, the Committee must consider management’s responses and recommendations in relation to such matters.

The Port’s Board of Directors, senior management and employees will assist the Committee in the discharge of its duties and responsibilities by providing access to the Port’s documents, records and physical property as may be required to undertake its role. The Committee is free to review and appraise policies, plans, procedures, records and methods of operation and to seek information from employees appropriate to fulfilling Committee duties and responsibilities.

3. RELATIONSHIP WITH INTERNAL AUDIT

The Committee will act as a forum for internal audit and oversee its planning, monitoring and reporting processes. This process will form part of the governance processes that ensures that the Port’s internal audit function operates effectively, efficiently and economically.

In its review of the internal audit function, the Committee must: -

- review the adequacy of the internal audit charter at least annually;
- recommend to the Board the appointment (and, where appropriate, replacement) of the internal auditor and the terms of their engagement;
- review and evaluate the internal auditor’s objectives, competence and resourcing and the overall effectiveness of the internal audit function, taking into account management’s views.
- review and approve the annual internal audit plan and work program and conduct sufficient enquiry to be satisfied as to its adequacy taking into account the risk environment in which the Port operates;
- oversee the coordination and progress of the internal audit work program and monitor management’s responses to, and implementation of, the recommendations and findings identified; and
- review relevant disclosures, in relation to each reporting period, relating to the structure and performance of the internal audit function;

To the extent practicable, the Committee will ensure that there is no material overlap between the internal and external audit functions.

The Committee will satisfy itself that internal audit has complied with the professional standards issued by the Institute of Internal Auditors – Australia.

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4. RELATIONSHIP WITH EXTERNAL AUDIT

The Queensland Auditor-General holds statutory appointment as auditor of all public sector entities and is responsible for reporting independently to Parliament on the discharge of that Corporation's statutory obligations.

The Auditor-General is empowered under the *Financial Accountability Act 2009* (Qld) to undertake audits of the Port in any way that the Auditor-General considers appropriate, taking into account the character of the relevant internal control systems of the Port, including the internal audit function.

The Committee has no power of direction over external audit or the manner in which the external audit is planned or undertaken but will act as a forum for the consideration of external audit findings and will ensure that they are balanced with the views of management.

The Committee will consult with external audit on that function's proposed audit strategy and audit fees for each year and ensure that a timely and effectively audit process occurs, to the extent practicable.

5. RELATIONSHIP WITH MANAGEMENT

The role of the Committee with respect to management will focus on whether the actions proposed to address audit and risk management concerns are satisfactory and cost-effective and will enhance the effectiveness and efficiency with which the Port delivers its outputs and contributes to whole of Government priorities.

6. COMMITTEE MEMBERSHIP

The Chairperson of the Board will appoint at least three (3) Directors to serve as members of the Committee.

The Chairperson of the Board may vary appointments to the Committee at any time and as he/she sees fit. The Chairperson of the Board may approve, from time to time, the appointment to the Committee of up to two (2) members external to the Port.

When considering membership appointments, the Chairperson of the Board will consider rotation of members to facilitate the input of new ideas, while retaining some degree of continuity via a core of experience.

Collectively, the Committee shall possess:

- a thorough understanding of the core activities of the Port and the environment in which it operates, including its strengths, weaknesses, opportunities and threats;
- a commitment to the continual improvement of the outputs that the Port delivers;
- strong business acumen and management skills;
- a high level of understanding of best practice internal control, risk management and corporate governance;
- a sound knowledge of information systems and emerging technology;
- a high level of competency in financial and operational reporting and the ability to analyse complex financial reports, including the Port's Operating Statement, Statement of Financial Position, Cash Flow Statement and Notes to and forming part of those statements;
- an inquiring attitude, objectivity and independence; and
- a strong, demonstrated sense of probity and ethical conduct.

To maintain independence, membership of the Committee shall not include representatives from internal or external audit or the person(s) responsible for the Port's financial management, although such

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representatives may be invited to attend Committee meetings and provide technical and other advice to the Committee.

Committee Chairperson

The Chairperson must be a Board Director, but not the Chair of the Board.

If the Chairperson is not present or is unwilling to act, the Committee must appoint a Committee member who is also a Board Director to chair the meeting.

Committee Secretary

The Company Secretary (or nominee) is the Secretary of the Committee.

The Secretary will be responsible for the preparation and circulation of the meeting agenda and accurately minuting all decisions of the Committee in consultation with the Committee Chairperson. The Secretary will also be responsible for the timely tabling of all correspondence, reports and other information relevant to the Committee's activities and operations.

7. ETHICAL PRACTICES

Members of the Committee will, at all times in the discharge of their duties and responsibilities, exercise honesty, objectivity and probity and not engage knowingly in acts or activities that have the potential to bring discredit to the Port.

Members also must refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and must at all times act in a proper and prudent manner in the use of information acquired in the course of their duties. Members must not use information obtained through their position on the Committee for any personal gain for themselves or their immediate families or in any manner that would be contrary to law or detrimental to the welfare and goodwill of the Port.

Further, members must not publicly comment on matters relative to activities of the Committee other than as authorised by the Board of Directors.

8. COMMITTEE MEETINGS

Meetings shall be conducted on a formal basis and be effectively minuted by the Secretary as to proceedings and decisions. A meeting agenda must be prepared and distributed to all members of the Committee at least five (5) working days prior to a meeting, unless otherwise approved by the Committee. Draft minutes of meetings must be prepared and provided to the Committee Chairperson for prior approval as soon as possible after the conclusion of the meeting. Once approval has been received, the minutes of the meeting must be promptly distributed to Committee members and must be confirmed as an accurate record of the meeting at the next subsequent meeting of the Committee.

In the setting of the Committee agenda there will be an emphasis on the most significant risks and threats to the Port and the ongoing evaluation of what is being done to mitigate such risks.

Meetings of the Committee should be held at three (3) times each year. Meetings may be held via teleconference or video conference, if required. In addition, the Committee Chairperson may call such additional meetings as may be necessary to address any matters referred to the Committee by the Chief Executive Officer or in respect of matters that the Committee wishes to pursue.

A quorum for a Committee meeting is half the number of members appointed (including the ex officio member) provided that at least one of the members present is a Director of the Board, and if that number is not a whole number, the next highest whole number.

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Only those members appointed by the Board of Directors may vote on matters before the Committee. As far as practicable, decisions of the Committee shall be regarded as its collective decision or advice. However, where there is material dissension to a decision, a minority view may be placed before the Board of Directors.

Other Attendees at Committee Meetings

The Chief Executive Officer is to attend all meetings. General Managers shall have a standing invitation to attend all Committee meetings. The Committee Chairperson may request any employee including representation from internal audit to attend a meeting and such person(s) must attend. Further, the Chairperson may invite a representative of external audit to attend any meeting of the Committee and to present and comment on appropriate agenda items.

When advice is required in relation to a matter subject to a Committee inquiry and it is considered sufficiently material to warrant the services of a specialist consultant external to the Port, the Committee may request the Chief Executive Officer to obtain such expert assistance.

The Committee may determine from time to time, that it is appropriate to conduct meetings privately with Senior Management, including the Chief Executive Officer. The reasons for such meetings will be forwarded to the relevant executives with the invitation to attend the meeting. The Committee may at its absolute discretion, decide to exclude some or all non-committee members from such a meeting.

9. ACCESS TO INFORMATION

The Committee shall have the freedom to conduct or authorise investigations into any matter within its objectives or as requested by the Board of Directors. The Committee shall be entitled to have access to all relevant information held by the Port. It is also authorised to discuss with any employee any matter that is the subject of an investigation.

The Committee shall be empowered to retain independent legal advice, advisers or other professionals to assist in its investigations / deliberations, with the costs borne by the Port.

10. COMMITTEE REPORTING

The minutes of all Committee meetings and a report detailing the Committee’s findings and recommendations must be tabled at the Board meeting following each Committee meeting.

The Committee Chairperson shall:

- report the findings and recommendations of the Committee to the Board of Directors at the Board meeting following each Committee meeting;
- regularly update the Board of Directors about Committee activities and make appropriate recommendations;
- ensure the Board of Directors is made aware of any audit and/or risk management matters which may impact on the Port or its Directors as soon as practicable; and
- submit a summary of the role and achievements of the Committee for inclusion in the Annual Report of the Port together with a statement that the Committee has observed the terms of its charter and had due regard to Queensland Treasury’s Audit Committee Guidelines.

11. COMMITTEE REVIEW

The Committee Chairperson shall annually assess the performance of the Committee and take appropriate action in respect of areas where there is a perceived need for enhancement of its role, operational processes or membership.

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At least once every three (3) years the Committee shall arrange for a peer review of its operations and activities by an appropriately qualified person. The results of the review shall be reported directly to the Board of Directors. The Committee Chairperson will action the performance evaluation and may obtain assistance if required.

A key outcome of the evaluation process should be for the Committee to set a series of goals to guide their activity over the coming year, as well as a review and update of the Committee Charter.

12. CO-OPERATION WITH COMMITTEE

Each employee must provide full, frank and meaningful advice on any issue raised by the Committee within fourteen (14) days of receiving such a request and shall co-operate fully with the activities of the Committee in all other respects. The annual report of the Committee will include a statement as to the extent of co-operation provided to the Committee during the year.

13. ANNUAL CALENDAR

Frequency	Items of Business
All Meetings	<ul style="list-style-type: none"> Quarterly Performance Report Current and Potential Legal Liabilities Register Enterprise Risk Management Report Financial & Procurement Practices and Compliance
Annually or as Required	<ul style="list-style-type: none"> Annual Audited Financial Statements Annual Report and GRI Report Audit Plans and Schedules Internal and External Audit Reports Review of Committee Charter Asset Valuations Dividend Recommendation Fiscal and Governance Policies Committee Charter and Performance Review

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