

Far North Queensland Ports Corporation

Audit and Risk Committee Charter

10 December 2020

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1. Introduction

Far North Queensland Ports Corporation (trading as Ports North) is a Government Owned Corporation (GOC) constituted under the *Government Owned Corporations Act 1993 (GOC Act)* and *Corporations Act 2001*.

The Audit and Risk Committee (Committee) is a sub-committee of the Board of Directors (Board) and plays an important role in providing oversight of Ports North's governance, risk management, compliance and control practices. The Committee also serves to provide confidence in the integrity of practices to enable achievement of Ports North's strategic objectives. This charter provides the framework for the performance of Committee activities.

2. Purpose and Objectives

The primary purpose of the Committee is to assist the Board of Directors in fulfilling its responsibilities prescribed in the *Government Owned Corporations Act 1993 (Qld)*, *Financial Accountability Act 2009 (Qld)*, *Corporations Act 2001 (Cth)* and other relevant legislation and prescribed requirements by providing independent comment, advice and counsel to the Board of Directors on matters considered by the Committee at its regular meetings.

The Committee supports the Board by:

- reviewing effectiveness of governance, risk management, compliance and control;
- reviewing the financial statements, budgets and performance reporting;
- promoting improved economy, efficiency, effectiveness and ethical culture;
- reviewing reliability of management information;
- monitoring and evaluating internal audit performance;
- reviewing effectiveness of fraud control measures; and
- monitoring compliance with laws, regulations, standards and good practice.

The objectives of the Committee are to:

- assist the Board in discharging its responsibilities in respect of financial reporting, other accounting requirements and regulatory compliance;
- assist the Board with ensuring that the ability and independence of the external auditor to carry out its statutory audit role is not impaired;
- ensure an effective internal audit and internal control system is maintained;
- oversee, monitor and review the performance of the internal and external auditors and the integrity of the audit process as a whole;
- review the financial reporting process, the system of internal financial control and the external audit process;
- review and ratify Ports North's systems of internal compliance and control, risk management and legal compliance, to determine the integrity and effectiveness of those systems;
- act as a formal forum for free and open communication between the Board, internal and external auditors and management; and
- ensure an appropriate framework is maintained for the management of strategic and operational risk.

This Charter outlines the Committee's authority, independence, responsibilities & duties and relationship with the Board. The Board has delegated certain functions and responsibilities to the Committee for which the

Committee is responsible. Other than those specifically delegated functions and responsibilities, the Committee does not take actions or make decisions on behalf of the Board.

3. Authority and Independence

The Committee has the power to deal with, and where applicable resolve, determine finally and approve, all matters falling within the scope of its purpose, objectives, responsibility, duties and function as set out in this Charter and all other matters that may be delegated by the Board to the Committee from time to time as recorded in the Delegations Register forming part of this Charter. Additionally:

- The Committee has unrestricted access to internal and external auditors in order to fulfil its purpose and undertake its duties;
- The Chair of the Committee will report to the Board on matters addressed by the Committee and make recommendations to the Board on behalf of the Committee; and
- The Committee will seek independent professional advice whenever it is considered appropriate. Individual Directors, with the prior approval of the Committee Chair, can procure professional advice, at Ports North's expense, on matters related to their responsibilities as a Director.

4. Responsibilities and Duties

To meet its objectives, the following functions and responsibilities of the Board are delegated to the Committee:

Duties with respect to the internal audit programme

- Reviewing the objectives and scope of the annual internal audit plan and five (5) year strategic audit plan;
- Ensuring these objectives are aligned with Ports North's overall risk management framework;
- Reviewing significant matters reported by the internal audit program and how management is responding to them;
- Reviewing and monitor the internal audit program and practices;
- Having direct communication with the internal audit provider; and
- Ensuring that the internal audit program is adequately resourced and has appropriate authority and standing within Ports North.

Duties with respect to the external audit function

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 official statutory obligation. The Auditor-General is empowered under section 37 of the Auditor-General Act 2009 to undertake audits in the way that the Auditor-General considers appropriate. In conducting an audit, the Auditor-General may take into account the character of the relevant internal control systems of the company, including the internal audit function.

It should be noted that the Committee has no power to direct the external audit function or to review the external auditor's working papers and files. Rather, the Committee acts as a forum to ensure that the issues raised by external audit have been addressed appropriately by the company in a cost-effective manner. In this regard the primary duties of the Committee in relation to external audit are:

- Review and agree the annual audit engagement letter;
- Review and approve the annual audit plan (including coordinating with the internal audit provider) and approve the fees charged for audit and review services;

- Review the findings and recommendations of external audit and the response to them by management;
- Review the implementation of external audit recommendations accepted by management and where issues remain unresolved ensure that satisfactory progression is being made to mitigate the risk associated with audit's findings;
- Resolve any disagreements between the external auditor and management regarding Port North's financial reporting; and
- Discuss with the external auditor any relationship that may impact their objectivity and independence.

Duties with respect to financial reporting

- Reviewing the quality and acceptability of the accounting policies and practices, reporting disclosures and changes thereto;
- Reviewing areas involving significant judgement, estimation or uncertainty;
- Overseeing compliance with financial reporting standards and relevant financial and governance reporting requirements;
- Reviewing and approving all financial reporting to shareholders and other stakeholders where significant;
- Advising all Directors as to whether financial reporting to shareholders and other financial reports required by law comply with appropriate laws and regulations;
- Assessing the overall performance of financial management; and
- Reviewing the frequency and significance of all transactions between Ports North and related parties and assessment of their propriety.

Duties with respect to key risk areas

- Ensuring that management is implementing Ports North's risk management framework and policies;
- Reviewing the effectiveness of the risk management framework and policies and that Strategic and Operational risks to the company are appropriately reflected in the risk profile reported to the board;
- Assessing the internal processes for determining and managing Strategic and Operational risks in accordance with Ports North's tolerance for risk noting that the Risk Management Framework is approved by the Board;
- Reviewing any changes to the Risk Management Framework documents;
- Endorsing any external disclosures;
- Monitoring Ports North's processes for management's identification and control of material risks including business, financial and legal compliance risks;
- Reporting to the Board on any incident involving fraud or other breakdown of Ports North's internal controls;
- Recommending to the Board in relation to Ports North's insurance programme, having regard to its business and the insurable risks associated with its business;
- Assessing the effectiveness of the company's internal control system with management and the internal and external auditors;
- Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- Assessing the effectiveness of, and compliance with, the company's code of ethical conduct; and
- Meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss changes in the company's control environment.

Other duties

- Monitoring management's response and actions to any reported areas of regulatory or other non-compliance;
- In the discharge of its responsibilities the Committee must provide prompt and constructive advice, and report its findings to the Board, particularly where issues are identified that could present a material risk or threat to Ports North; and
- Supervising special investigations when requested by the Board.

In addition, the Committee shall examine any other matters referred to it by the Board or Management.

5. Membership

Composition

The Board shall appoint one of its members, other than the Chair of the Board, to serve as the Committee Chair.

In addition to the independence criteria set out in the Ports North Board Charter, the following rules apply to eligibility for membership of the Committee:

- a director who sits on the Committee cannot be an officer or employee of Ports North, any subsidiary or related company, another Queensland state government entity or receive fees from Ports North other than in the capacity as a director or member of a committee of the Board;
- each member of the Committee must be appropriately financially literate (as such qualification is interpreted by the Board in its business judgment); and
- the Committee should comprise members with an appropriate mix of financial management, risk management, public sector governance experience and industry knowledge.

Skills Required on the Committee

Collectively, the membership of the Committee should possess a thorough understanding on:

- financial statements and financial management;
- risk management strategies and plans;
- information systems and data security;
- design and operation of internal controls;
- strategies to limit fraud and misappropriation; and
- compliance with legislation and key government policies.

Conflicts of Interests and Independence

Members are required to declare any Conflicts of Interest and/or Duty that could constitute a real, potential or apparent conflict with respect to participation on the Committee. The disclosure must be made on appointment to the Committee and in relation to specific agenda items at the outset of each Committee meeting.

Induction and Development

New Committee members will receive information and briefings on the work of the Committee to assist them meet their responsibilities. Inductions for new Committee members will be arranged by the Company Secretary.

Committee members have a personal obligation to acquire and maintain the skills and knowledge to perform their role as a Committee member. The Committee will support the ongoing development of individual members of the Committee and make recommendations to the Board as appropriate to ensure, collectively, the Committee has the skills and knowledge to perform its role.

Role of Committee Chair

The Chair is responsible for

- leadership of the Committee, ensuring its effectiveness and setting its agenda;
- ensuring that the agenda is comprehensive and supporting papers are appropriate;
- ensuring timely reports of Committee activities (including recommendations) are provided to the Board in a clear and unambiguous manner; and
- ensuring Committee Minutes properly reflect meeting discussions and outcomes.

6. Meetings

Meetings

Meetings shall be held not less than four (4) times a year having regard to Ports North's reporting and audit cycle. Any member of the Committee, other Board members, the Chief Executive Officer, the General Manager Finance or the external auditors may request a meeting at any time if they consider it necessary. Any member of the Committee who wishes to have the Committee convene, shall contact the Chair of the Committee.

Reasonable notice of meetings and the business to be conducted shall be given to the members of the Committee, all other members of the Board, the Chief Executive Officer, the General Manager Finance and any relevant external parties including auditors.

A quorum of members of the Committee shall be two. No business may be transacted at a meeting of the Committee unless a quorum is present.

In the absence of the Chair, the members in attendance shall elect a member, other than the Chair of the Board, to Chair the meeting.

The Committee may have in attendance such members of management, and such other persons including internal audit providers and external auditors, as it considers necessary to provide appropriate information and explanations. Any members of management in attendance at Committee meetings must be invited to attend such meetings. The Committee may provide for discussion without management present at each meeting of the Committee.

Unless the Chair of the Committee determines otherwise, the external auditors may be invited to attend each meeting of the Committee. The Chair of the Committee and/or the Committee will generally meet with the external auditors at least annually and at other times as required.

The Chair of the Committee and/or the Committee will generally meet with internal audit providers at least annually and at other times as required.

Minutes of all meetings shall be kept and approved by the Committee in a timely manner. Committee documents including minutes, management papers and other relevant material will be released to all members of the Board, including Directors who are not members of the Committee for their information, and to such other persons as the Board directs.

The secretary of the Committee is the General Manager Finance.

Agenda, Activity Plan & Calendar

Annually, the Committee adopts an activity plan for the coming calendar year which ensures that all necessary matters are addressed by the Committee at regular meetings using an approved structured meeting agenda. The Committee also adopts a Committee Calendar annually, which sets the dates for all Committee meetings for the following year.

Minutes

The General Manager Finance takes minutes at Committee meetings. Draft minutes are provided to the Chief Executive Officer and the Chair for approval following the meeting, after which they will be circulated to the Committee. Committee minutes are included in the next Board meeting Board papers.

7. Performance Evaluation

Committee Performance and Effectiveness

The Ports North Board Charter provides for an annual performance evaluation survey to be undertaken by the relevant Committee Directors.

The performance evaluation and review should take into consideration processes and the efficiency and effectiveness with which the Committee carries them out.

The evaluation process comprises:

- completion of a survey questionnaire by individual Directors;
- discussion of the results of this questionnaire; and
- agreed action plan to address each of the areas requiring action.

Additionally, at the end of each financial year the Committee Chair, together with the Chief Executive Officer, submit a report to the Board which provides an overview of the operations of the Committee having regard to the Charter of the Committee. These reports are used by the Board as the basis for its annual assessment of the effectiveness of each Committee.

8. Review of the Charter

This Charter is approved and issued by the Committee. The Committee shall review the adequacy of this Charter at least every three (3) years, or earlier as required by the Chair.

9. Related Documents

- Corporate Governance Framework
- Delegations Register
- Directors and Senior Executives Code of Conduct
- Board of Directors Charter
- Human Resources Committee Charter
- Directors Handbook
- Disclosure to Shareholders Policy
- Internal Audit Charter

References

1. Queensland Corporate Governance Guidelines for Government Owned Corporations.
2. ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition).
3. Queensland Treasury - Improving Accountability & Performance

REVIEWED BY:	Audit & Risk Committee	DATE:	20 November 2020
APPROVED BY:	Board of Directors	DATE:	10 December 2020
APPROVING AUTHORITY	Board of Directors		
DELEGATION INSTRUMENT	10 December 2020		
CUSTODIAN:	General Manager Finance		
COMMENTS:	Reviewed and Approved by the Board of Directors on 10 December 2020		

Audit and Risk Committee Delegation Register

Matter Delegated	Delegation Instrument
CCTV Policy	Board resolution 28 May 2010
Claimable Expense Policy	Board resolution 28 May 2010
Entertainment and Hospitality Policy	Board resolution 28 May 2010
Financial Management Practice Manual	Board resolution 28 May 2010
Financial Risk Policy	Board resolution 28 May 2010
Fraud Control and Corruption Policy	Board resolution 28 May 2010
Right to Information and Information Privacy	Board resolution 28 May 2010
Gifts and Benefits Policy	Board resolution 28 May 2010
Investment Approval Policy	Board resolution 28 May 2010
Investment Proposals Policy	Board resolution 28 May 2010
ICT Information Security Policy	Board resolution 10 December 2010
Business Continuity Plan	Board resolution 25 May 2012
Risk Management and Internal Control Policy	Board resolution 28 May 2010
Travel Policies (Domestic & Overseas)	Board resolution 28 May 2010
Public Interest and Whistleblower Disclosure Policy	Board resolution 28 May 2010
Procurement Policy	Board resolution 28 November 2019
Procurement Procedure	Board resolution 28 November 2019