Ports North

# Audit and Risk Committee Charter

## 1. Overview

The FNQPC Audit and Risk Committee Charter defines the role and responsibilities, composition, structure and membership requirements of the Audit and Risk Committee (ARC).

## 2. Purpose

The ARC is established by the Board of Directors. The purpose of the ARC is to assist the Board of Directors by:

- providing an open atmosphere of communication between firms contracted to perform the internal audit function, the Board of Directors and management
- reviewing FNQPC's annual financial statements
- reviewing, Statement of Corporate Intent
- reviewing the adequacy and effectiveness of internal control procedures including the fraud control framework
- reviewing external audit plan and provision of input on areas of focus
- reviewing the appointment, annual evaluation, oversight and establishment of the charter for the internal auditor
- reviewing the resources, performance and scope of work of the internal audit function
- reviewing the effectiveness of the internal and external audit processes
- reviewing changes in accounting policies and the effects of these changes
- reviewing with management, the external auditor or legal representatives any significant issues that may materially affect the financial position or operating results
- reviewing the risk management processes and progress in implementing agreed risk management strategies
- reviewing compliance with legislative and statutory requirements and internal policies and procedures
- reviewing the ARC's charter and updating as required

## 3. Powers of the Audit and Risk Committee

- The ARC has the power to deal with, and where applicable resolve, determine finally and approve, all matters falling within the scope of its purpose, function and duties as set out in this Charter and all other matters that may be delegated by the Board to the Committee from time to time.

- The ARC has unrestricted access to Internal Audit and to the external auditors in order to fulfil its purpose and undertake its duties.
- The ARC does not have power to make decisions on behalf of the Board except where specific delegations are in place. The Chair of the ARC will report to the Board on matters addressed by the ARC and make recommendations to the Board on behalf of the ARC.
- Consistent with the provisions of the Board Charter, members of the ARC may seek independent professional advice whenever it is considered appropriate. Individual Directors, with the prior approval of the ARC Chair, can procure professional advice, at FNQPC's expense, on matters related to their responsibilities as a Director.

## 4. Function of Respective Parties

Other than in relation to the work of the external auditor and Internal Audit, the function of the ARC is oversight. It is recognised that members of the ARC are not full time employees of FNQPC and generally do not represent themselves to be experts in the fields of accounting or auditing. As such, it is not the responsibility of the ARC personally to conduct accounting or auditing reviews or procedures. The eligibility criteria and required financial skills of ARC members are set out in section 6 below.

The Board may rely upon information provided by the ARC and its members, in relation to matters within the ARC's responsibility under the terms of this charter, provided that it has evaluated the information and is not aware of any reasonable basis upon which to question its accuracy.

Management is responsible for the preparation, presentation and integrity of the financial statements. Management is responsible for implementing and maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.

The external auditors are responsible for planning and carrying out each audit and review, in accordance with applicable auditing standards.

## 5. Duties of the Audit and Risk Committee

5.1 The following duties are structured in accordance with the ARC's purposes:

a. With respect to the external auditor:

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 ARC has no power to direct the external audit function or to review the external auditor's working papers and files. Rather, the Audit 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 ARC in relation to external audit are:

i. Review and agree the annual audit engagement letter;

ii. Review and approve the annual audit plan (including coordinating with internal audit) and approve the fees charged for audit and review services;

iii. Resolve any disagreements between the external auditor and management regarding Port North's financial reporting; and

iv. Discuss with the external auditor any relationship that may impact their objectivity and independence.

b. With respect to Internal Audit:

i. Review and approve the annual internal audit plan to ensure it covers all material risks;

ii. Receive from Internal Audit summaries of significant reports to management prepared by internal audit, the management response and Internal Audit's recommendations, and monitor that issues are being managed and rectified in an appropriate and timely manner;

iii. Review assessments of the effectiveness of internal controls and procedures; and

iv. Assess the effectiveness and independence of Internal Audit.

c. With respect to financial reporting:

i. Receive from management, Internal Audit and external auditor a timely analysis of significant financial reporting issues and practices and review such analyses;

ii. Discuss the audited financial statements and significant changes to FNQPC's auditing and accounting principles, policies, controls, procedures and practices with management, internal audit and the external auditor, and approve any such matters as necessary (except to the extent such matters must be considered and approved by the Board);

iii. Discuss the critical accounting policies and any proposed changes to such policies with the external auditor and management;

iv. Review the certifications provided by the Chief Executive Officer and the Chief Financial Officer on annual financial reports pursuant to the relevant legislation and regulatory requirements as applicable, and review the processes that were used to reach the opinion provided in the certifications; and

v. Review the form of opinion that the external auditor proposes to render.

d. With respect to risk management:

i. Review the effectiveness of the risk management system and that material business risks to the company are appropriately reflected in the risk profile reported to the board;

ii. Assess the internal processes for determining and managing material business risks in accord with the company's tolerance for risk noting that the Risk Management Framework is approved by the Board;

iii. Monitor company processes for management's identification and control of material risks including business, financial and legal compliance risks;

iv. Assess the effectiveness of the company's internal control system with management and the internal and external auditors;

v. Assess whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than as acceptable degree of risk;

vi. Assess the effectiveness of, and compliance with, the company's code of ethical conduct; and

Vii. Meet periodically with key management, internal and external auditors, and compliance staff, to understand and discuss changes in the company's control environment.

## 6. Policies

The following Policies have been delegated from the Board for the Audit and Risk Committee's approval.

- Borrowings (Book Rate Review) Policy
- Capital Structure & WACC Calculations
- CCTV Policy
- Claimable Expense Policy
- Entertainment and Hospitality Policy
- Financial Management Practice Manual
- Financial Risks Policies
- Fraud Control and Corruption Policy
- Right to Information and Information Privacy
- Gifts and Benefits Policy
- Investment Approval Policy
- Investment Proposals Policy
- ICT Information Security Policy
- Information Classification and Handling Policy
- Business Continuity Plan
- Risk Management & Internal Control Policy
- Travel Policy
- Public Interest Disclosure Policy

## 7. Eligibility

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

b. In addition to the independence criteria set out in the FNQPC Board Charter, the following rules apply to eligibility for membership of the ARC:

   i. a director who sits on the ARC cannot be an officer or employee of FNQPC or any subsidiary or related company or receive fees from FNQPC other than in the capacity as a director or member of a committee of the Board;

   ii. each member of the ARC must be appropriately financially literate (as such qualification is interpreted by the Board in its business judgment); and

   iii. at least one member of the ARC will be a person who, as a result of education and experience, has a sound understanding of financial statements, prepared under AIFRS, and experience in the preparation of financial statements of companies comparable to FNQPC, and in the functioning of audit committees.

## 8. Meetings

i. The ARC will meet at least four times annually and more frequently if it deems necessary;

ii. Representatives of management, Internal Audit, and of the external auditor may be invited to attend part or all of any meeting of the ARC. The ARC may request certain parties to withdraw from any part of the meeting, and may request any officer or employee of the Company or the external auditor to attend a meeting.

iii. The ARC will meet with the external auditor annually, prior to completion of the audit, in the absence of management. Matters discussed will include the external auditor's judgements about the quality of the accounting practices and the truth and fairness of the financial statements of the company.

iv. The ARC will meet annually with Internal Audit, in the absence of other management.

v. The ARC meetings will be held according to the annual Board Activity Plan, which is adopted by the Board in June each year. Other meetings of the ARC will be arranged on an as required basis. In addition, the Board will also adopt an Audit and Risk Committee Activity Plan to ensure the ARC addresses matters required by the Board.

vi. The attendance of two members of the ARC shall constitute a quorum.

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

viii. Any member of the ARC, who wishes to have the ARC convene, shall contact the Chair of the ARC.

ix. The agenda for ARC meetings is determined by the ARC Chair. The agenda will include standard matters that the ARC is responsible for considering under this Charter of Reference. The agenda and supporting reports for ARC meetings will be circulated to the ARC no later than five calendar days prior to the meeting.

x. No later than two business days after an ARC meeting, the Company Secretary shall provide draft meeting Minutes to the ARC Chair for approval. The Minutes will include an ongoing log of outstanding matters so that the ARC is aware that changes in response to Internal and External audit reports have been implemented. Once approved by the Chair, the draft Minutes of each ARC meeting are included in the papers for the next meeting of the Board of Directors for confirmation. A copy of the ARC meeting reports shall also be tabled at the next meeting of the Board of Directors for information.

xi. The Company Secretary keeps a copy of all ARC meeting reports and Minutes for perusal by Directors.

## 9. Review of ARC Charter and Performance

Soon after the end of each financial year, the Chair of the ARC and CEO will submit a report to the Board which overviews the operations of the ARC and results of the company for the year having regard to the Charter. This report will be used by the Board as the basis for its annual assessment of ARC effectiveness.

The Charter of the ARC are reviewed annually by the Board as part of the annual review of the Board Charter.