

Audit & Risk Committee of the Board  
**CHARTER**

Approved by the Board on 27 August 2019

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# 1 Objectives

The primary objectives of the Audit and Risk Committee are to:

- 1.1 Assist the Board in discharging its responsibilities by oversight and review of:
  - financial reporting;
  - risk management;
  - debt structure and debt instruments;
  - accounting policies;
  - business ethics, policies and practices;
  - internal controls;
  - compliance with applicable laws and regulations;
  - integrity and performance of the internal audit function; and
  - business continuity planning.
- 1.2 Provide a forum for communication between the Board, Senior Management and both the internal and external auditors.

# 2 Authority

The Committee is authorised, within the scope of its responsibilities, to:

- 2.1 Seek information it requires from any Corporation employee or contractor, the external Auditor and/or any external party;
- 2.2 Obtain outside legal or other professional advice at the Corporation's expense, and initiate special investigations as deemed necessary.

# 3 Membership

- 3.1 The Committee shall comprise no less than three and no more than four non-executive directors of the Board. In addition, an independent representative of the firm appointed as Internal Auditor of the Corporation shall be invited to attend each meeting of the Committee as advisor to the Committee;
- 3.2 Members shall be appointed by the Board. The Board shall appoint one of its members as Chair of the Committee, however the Chair of the Board shall not be appointed Chair of the Committee;
- 3.3 Members shall be appointed on the basis of their requisite business and financial skills;
- 3.4 Regular attendees to Committee meetings shall be the Chief Executive Officer, Chief Financial Officer, the Company Secretary who shall be the minute secretary of the Committee, the external and internal auditors, the manager responsible for internal audit, and other members of the executive team as required;
- 3.5 Any Director who is not a member of the Committee will have the right to attend any meeting of the Committee.

## 4 Meetings

- 4.1 The Committee shall meet at least four times a year and such additional meetings as the Chair shall decide in order to fulfil its duties;
- 4.2 A quorum shall consist of two Committee members;
- 4.3 All decisions of the Committee shall be determined on the basis of a majority vote of members. In any instances of a tied vote, the matter shall be referred to the Board;
- 4.4 When the Committee must reach a decision between meeting dates, this decision may be made by circular resolution. In carrying out a vote by circular resolution, the Chair of the Committee has an obligation to attempt to contact all Committee members. A circular resolution will be taken to be carried only when the majority of Committee members vote in the affirmative;
- 4.5 Prior to each meeting the Committee may convene privately without any members of Management in attendance, for meetings with:
  - the External Auditor;
  - the Internal Auditor;
  - the Chief Financial Officer;
  - the Company Secretary.

## 5 Organisation

- 5.1 The Company Secretary shall be responsible for:
  - preparing the agenda for each meeting, for approval by the Chair of the Committee;
  - distributing the papers for each meeting;
  - keeping minutes of all meetings of the Committee. Once the minutes of each meeting have been reviewed by the Chair of the Committee, they shall be routinely submitted to the Board for information;
  - notifying all staff of the Corporation, and the auditors and other external parties who are required to attend any meeting for specific agenda items.
- 5.2 The Chief Financial Officer shall be responsible for:
  - reviewing the agenda for each meeting, for approval by the Chair of the Committee;
  - providing approval for all papers required for each meeting.

## 6 Duties and Responsibilities

- 6.1 The Committee shall consider any matters relating to the financial affairs and risk management issues of the Corporation that it determines to be desirable. In addition, the Committee shall examine any other matters referred to it by the Board;
- 6.2 The Committee shall maintain an annual Audit Committee Plan that defines the activities and timeframes for items to be considered by the Committee. The annual Plan shall incorporate:

- at every meeting, unless the meeting is for a specific purpose:
  - Internal Audit Report;
  - Enterprise Risk Management Report;
  - Fraud & Corruption Report;
- on an annual basis:
  - Audit Office Annual Engagement Plan
  - Audit Office Early Close Procedures
  - Audit Office Management Letter
  - Port Authority Financial Statements
  - Reappointment of Internal Auditor (as required)
  - 3-year internal audit plan (reviewed each year and updated as required to maintain relevance)
  - Business Continuity Update
  - Compliance Register – Annual Compliance Update
  - Insurance Renewals, including the adequacy and cost of cover
  - Audit & Risk Committee Report to the Board
  - Annual Risk Appetite Review

6.3 The Committee shall review the Corporation's Fraud & Corruption Control policies and the Compliance Policy as required, but at least every two years. Where amendments to the policies are identified, the Committee will approve them.

6.4 The Internal Audit Program shall be agreed with the Internal Auditor at the time of their appointment and shall cover the period of their appointment unless agreed otherwise. The Internal Audit program shall be dissected into annual Work Plans which will cover the three main areas of marine services, operations and finance. This will include, but not be limited to the following audit activities;

- expenditure control;
- project management ;
- procurement;
- IT, including information security;
- revenue collection;
- the exposure of the Corporation to fraud and corruption;
- HR and payroll matters;
- asset management;
- compliance and regulatory management;
- work health and safety;
- port operations;
- contract management;
- stakeholder management;

- treasury management; and
- environmental matters.

## 7 Activities of the Committee

The activities of the Committee may include, but shall not be limited to the following;

### 7.1 External Auditors

- to consider before the audit commences the nature and scope of the audit;
- to settle with the external auditor the fees for the audit;
- to discuss the issues and/or reservations arising from the interim and final audits, and any matters the auditor may wish to discuss;
- to consider the external auditor's management letter and management's response.

### 7.2 Financial Control and Reporting

- to examine the Annual Report before submission to the Board, focusing particularly on;
  - changes in accounting policies and practices;
  - major judgmental areas;
  - asset valuation;
  - significant adjustments resulting from the audit;
  - compliance with accounting standards;
  - compliance with Government and legal requirements;
  - reports prepared by management for release to the stakeholders.
- oversight and review major risks to which the Corporation is exposed and verify that the internal control systems are adequate and functioning effectively;

### 7.3 Internal Audit

- to appoint the Internal Auditor on the basis of no more than a three year period which may be extended at the discretion of the Committee;
- to consider the internal audit annual Work Plan and ensure that the internal audit function is adequately resourced and has appropriate standing within the Corporation;
- to promote co-ordination between management and internal and external auditors;
- to review any significant matters reported by the internal auditors and ascertain whether management's response is adequate;
- to ensure that the internal auditors are independent of the activities that they audit.

### 7.4 Risk Management

- to evaluate the priorities determined by Management in identifying, assessing and prioritising risks;
- to evaluate the risk mitigation strategies defined and implemented by Management.

### 7.5 Insurance

- to evaluate the performance of the Corporation's broker and to appoint the insurance broker recognising the recommendations of Management;

- to evaluate the adequacy and cost of insurance cover across the organisation and make recommendations to the Board in that regard;

#### 7.6 Legal Compliance

- to consider compliance with any regulatory or statutory requirements;

#### 7.7 Compliance with the Corporation's Code of Conduct

- to discuss and review with management, its philosophy with respect to business ethics and corporate conduct, its written code of conduct and program it has to monitor compliance with that code;
- to consider significant cases of employee conflict of interest, misconduct or fraud.

#### 7.8 Other

- to evaluate the Corporations' exposure to fraud and corruption;
- to request and review special audits or investigations as may be necessary;
- to consider other matters, as referred to the Committee by the Board.

## 8 Reporting

### 8.1 The Committee will regularly, but at least once a year, report to the Board on its operation, performance and activities during the year. The report should include;

- a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- a summary of the Corporation's progress in addressing the findings and recommendations made in internal and external reports;
- an overall assessment of the Corporation's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the Corporation;
- details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended;
- a self-assessment of the performance of the Committee against and compliance with the *NSW Treasury Commercial Policy Framework: Guidelines for Governing Boards of Government Businesses (tpp 17-10)*.

### 8.2 The Committee shall;

- record proceedings of each meeting and circulate them to the Board;
- prepare a report to the Board summarising work performed by the Committee to fully discharge its duties;
- ensure that the Charter of the Audit & Risk Committee is posted on the Corporation's website.

### 8.3 The Corporation's Annual Report should include a statement describing the responsibilities and activities of the Committee.

## 9 Administrative Arrangements

### 9.1 Conflicts of interest

- Members of the Committee agree to comply with the 'conflict of interest' requirements of the Port Authority of New South Wales (**Port Authority**) Board Charter, which are;
  - Committee members are required to disclose potential conflicts for recording in the Port Authority's conflicts register. Committee members are required to update this register on an ongoing basis as circumstances change;
  - in relation to specific Committee decisions, the Committee complies with Clause 2, Schedule 10 of the Stated Owned Corporations Act 1989. A Committee member cannot take part in discussions or vote on a matter in which that Committee member has a material personal interest; unless the Committee resolves that the interest does not disqualify the Committee member.

### 9.2 Review of Charter

- At least once a year the Committee will review this Charter. This review will include consultation with the Board. Any substantive changes to this Charter will be recommended by the Committee and formally approved by the Board.