



## **AUDIT & RISK MANAGEMENT COMMITTEE**

### **CHARTER**

#### **1.0 Objective**

**1.1** The Audit & Risk Management Committee (Committee), is a Committee of Independent Board Members of the Port Kembla Port Corporation (Board). The purpose of the Committee is to assist the Board to carry out the following functions more efficiently and fully:

- (a) oversight of the integrity of the Corporation's statutory financial reports and management reports;
- (b) monitoring that management has an appropriate framework in place to identify and effectively manage risk.

**1.2** The Committee's decisions are recommendations to the Board rather than determinations in their own right.

#### **2.0 Membership**

**2.1** The Committee will have a minimum of three and not more than five independent non-executive Director members appointed annually by the Board.

**2.2** The Board also annually appoints the Chairman of the Committee, who must be an independent Director who is not the Chairman of the Board.

**2.3** Each member must be financially literate; at least one member must have accounting or related financial expertise.

**2.4** The Chairman of the Committee will ensure that there is an appropriate induction process for completion by each new member.

**2.5** The Secretary of the Committee will be the Assistant Corporate Secretary, or such other person as appointed by the Committee.

**2.6** The skills and performance of all Committee members will be reviewed annually by the Board.

### **3.0 Meetings**

- 3.1** The Committee meets formally at least quarterly and the schedule of meetings will be agreed in advance.
- 3.2** One of the meetings will be set at a date to enable the draft yearly financial reports and statements to be reviewed prior to presentation to the Board and will be attended by the external auditors.
- 3.3** Special meetings may be convened as required or requested by a Director or the Chief Executive Officer.
- 3.4** Attendance by members at Committee meetings must be disclosed in the annual report.
- 3.5** A quorum is two independent non-executive Director members of the Committee.
- 3.6** The Chief Executive Officer, General Manager Corporate Services, internal auditor and external auditor will be invited to attend all meetings, unless otherwise determined by the Committee. Other senior executives will be invited by the Committee to attend as required.
- 3.7** The Chief Executive Officer, the General Manager Corporate Services, internal auditor or external auditor have the right to meet on a confidential basis with the Chairman of the Committee or the Committee as a whole.
- 3.8** The agenda and supporting papers should be delivered to the Committee members by the Assistant Corporate Secretary at least five days in advance of each meeting.
- 3.9** Draft minutes of each Committee meeting are to be reviewed by the Committee Chairman.
- 3.10** A copy will be submitted to the next Committee meeting for review by the full Committee; approved Minutes are then submitted to the Board for noting.
- 3.11** Minutes are not a verbatim recording of the meeting but should accurately record the resolutions of the Committee, key reasons for those decisions (where appropriate) and actions arising.
- 3.12** The action list from each Committee meeting will be approved by the Committee Chairman and circulated to all Committee members with the minutes of the meeting.
- 3.13** The action list will include accountabilities and the nature and timing of subsequent reporting.
- 3.14** Reports and other papers of the Committee shall be made available to all Directors upon request, provided no conflict of interest exists.

#### **4.0 Reporting Responsibilities**

- 4.1 The Committee will, through its Chairman, regularly update the Board about matters relevant to the Committee's role and responsibilities and make appropriate recommendations for approval by the Board.

#### **5.0 Evaluating Performance**

- 5.1 In order to ensure that the Committee is fulfilling its duties the Committee will:
- (a) obtain feedback from the Board on the Committee's performance on an annual basis and implement any agreed actions; and
  - (b) provide any information the Board may request to facilitate its review of the Committee's performance.

#### **6.0 Review of the Charter**

- 6.1 The Committee will review the Committee's Charter annually, discuss any suggested changes with the Board and ensure any revisions to the Charter are approved by the Board.

#### **7.0 Responsibilities**

##### **7.1 Financial Reporting**

- (a) Review yearly financial reports and statements with management and with the external auditors prior to their approval by the Board.
- (b) Review any recommendations from the Chief Financial Officer on accounting policy changes.
- (c) Make recommendations to the Board on significant accounting and financial policy issues.
- (d) Review the reports from the Chief Financial Officer in respect of any qualified audit reports.

##### **7.2 Risk Management**

Overview the implementation and maintenance of a risk management program throughout the Corporation that:

- (i) complements the wider goals, objectives and strategies of the Corporation and its business;
- (ii) ensures that all significant risks are identified, evaluated, treated, monitored and communicated at all levels; and
- (iii) complies with Australian Standard AS 4360.

### **7.3 Review of Reports and Approval of Plans**

- (a) Review a six monthly activity report from the Chief Executive Officer dealing with:
  - (i) the operation of the Corporation's risk management framework;
  - (ii) significant risk exposures and risk events including any major failures in the operation of key internal control systems;
  - (iii) the outcome of quality assurance reviews;
  - (iv) the implementation of management responses and actions in relation to quality assurance reports;
  - (v) the annual plans of the Corporation in respect of its risk management framework and the progress of implementation of these plans.
- (b) Review reports on key operational risk issues prepared by management from time to time.

### **7.4 Interface with the External Auditor**

- (a) Approve the annual plan of the external auditor for the Corporation and regularly monitor the progress of implementation of this plan.
- (b) Liaise with the external auditor as necessary.
- (c) Review with the external auditor any significant recommendations made by them on the subject of internal controls, and management's response to the recommendations.
- (d) Monitor the progress made by management for the improvement in internal controls arising from recommendations made by the external auditor.
- (e) Make recommendations on the engagement of the external auditor.
- (f) Review external audit fees.
- (g) Annually review the performance of the external auditor.

### **7.5 Internal Audit**

- (a) Monitor that management has in place a process for conducting internal audit and that it is functioning effectively and resourced adequately.
- (b) Review and approve the Terms of Engagement of the Internal Audit function.
- (c) Ensure that significant findings and recommendations made by the internal auditors and management's proposed response are received, discussed and acted on.

- (d) Review the proposed internal audit plan for the coming year and ensure that it addresses key areas of risk and that there is appropriate coordination with the external auditor.
- (e) Review at least annually the independence of the internal auditor.
- (f) Make recommendations on the engagement of the internal auditor.
- (g) Annually review the performance of the internal auditor.

#### **7.6 Resourcing**

- (a) Monitor the level of resources related to the management of risk across the Corporation.

#### **7.7 Corporation's Insurance Program**

- (a) Review the Corporation's insurance program annually having regard to the nature of the business and the insurable risks associated with that business.
- (b) Recommend to the Board changes to the Corporation's insurance program resulting from the annual review.

#### **8.0 General**

**8.1** The Committee will carry out any other responsibilities and functions that may be delegated by the Board.

**8.2** The Committee and its members have the right to obtain independent advice, which may be paid for by the Corporation, with the approval of either the Chairman of the Committee or the Chairman of the Board.

**8.3** Committee members should undertake relevant training as necessary.