

# AUDIT AND RISK COMMITTEE CHARTER

## 1. Establishment

The Board of Australian Naval Infrastructure Pty Ltd (ANI) has established the Audit and Risk Committee under its Constitution (ss.8.1), the *Public Governance, Performance and Accountability Act 2013 (Cth)* (ss.92), and the PGPA Rule 2014 (Cth) (ss.28 and ss.17).

This charter sets out the scope of the Audit and Risk Committee's responsibilities in relation to ANI.

## 2. Objectives

The objectives of the Audit and Risk Committee are to:

- (a) help the Board achieve its objectives in relation to reviewing the appropriateness of the:
  - (i) financial reporting;
  - (ii) performance reporting;
  - (iii) systems of risk (financial and performance) oversight and management;
  - (iv) systems of internal control; and
  - (v) the application of accounting policies.
- (b) maintain and improve the quality, credibility and objectivity of the financial accountability process;
- (c) assess ANI's risk management principles, policies, processes and practices so that it can satisfy itself that:
  - (i) adequate systems are in place for the effective identification and assessment of all areas of potential material business risk;
  - (ii) adequate policies, processes and procedures have been designed and implemented to manage identified material risks;
  - (iii) appropriate action is undertaken to bring the identified material risks within ANI's risk tolerance levels;

- (iv) a culture of compliance is being promoted; and
- (v) compliance strategies and functions are effective.
- (d) establish and maintain effective internal and external audit functions, and communication between the Board and the internal and external auditor; and
- (e) verify financial compliance strategies and financial compliance functions are effective.

### 3. Reference of Issues

The Audit and Risk Committee may determine matters delegated by the Board to it for decision.

### 4. Committee Composition

- 4.1 The Audit and Risk Committee must comprise three non-executive Directors (who must not include the Chair of the Board). The Audit and Risk Committee may not include the CEO or the CFO.
- 4.2 The Board of Directors will appoint the Audit and Risk Committee Chair, who may not be an Executive Director.
- 4.3 The Company Secretary is secretary (but not a member) of the Audit and Risk Committee.
- 4.4 The Audit and Risk Committee must be of sufficient size, independence and technical expertise to discharge its mandate effectively.
- 4.5 At least one member of the Audit and Risk Committee must be a qualified accountant or other financial professional with experience of financial and accounting matters.

### 5. Responsibilities

The Audit and Risk Committee is responsible for:

- 5.1. External financial reporting
  - (a) assessing the appropriateness and application of ANI's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
  - (b) obtaining an independent judgement from the external auditor about:
    - (i) the acceptability and appropriateness of accounting policies and principles put forward by management including their application; and
    - (ii) the clarity of current or proposed financial disclosure practices as put forward by management;
  - (c) assessing information from external auditors that may affect the quality of

financial reports (e.g. actual and potential material audit adjustments, financial report disclosures, non-compliance with laws and regulations, and internal control issues);

- (d) following up on any matter raised by the Board regarding financial reports, audit opinions and management letters;
- (e) recommending to the Board acceptance of ANI's:
  - (i) Financial accounts for inclusion in the Annual Report; and
  - (ii) approving the form of management sign-offs in relation to those accounts.

## 5.2. Enterprise risk management

- (a) oversee, agree and recommend annually for Board approval ANI's risk appetite and tolerance levels (for material business risk exposures);
- (b) oversee, agree and recommend for Board approval an Enterprise Risk Management Framework consistent with ANI's agreed risk appetite and risk tolerance levels (for material business risk exposures);
- (c) work with management to oversee the design, implementation and monitoring of the Enterprise Risk Management Framework and internal control systems, in conjunction with existing business processes and systems, to manage ANI's material business risks including but not limited to:
  - Strategic risk;
  - Financial risk;
  - Regulatory/legal risk;
  - Operational risk;
  - OSDP risk;
  - ONDP risk.
- (d) establish reporting guidelines for management to report to the Committee on the effectiveness of the management of ANI's material business risk exposures including assurance and audit activities undertaken which may affect ANI's risk profile; and
- (e) review and make recommendations on the strategic direction, objectives and effectiveness of ANI's risk management policies.

## 5.3. Financial risk management

- (a) assessing, prioritising and monitoring the areas of greatest potential financial risk, including:
  - (i) safeguarding assets;
  - (ii) litigation and claims;
  - (iii) non-compliance with applicable laws, regulations, standards and best practice guidelines that may result in significant financial loss;
  - (iv) important judgements and accounting estimates; and

- (v) maintenance of proper accounting records;
- (b) reporting to the Board on the adequacy of the financial risk management;
- (c) reviewing the adequacy of responses to reports of internal and, as far as practicable, external audits; and
- (d) reviewing management's processes for ensuring and monitoring compliance with applicable laws, regulations and other requirements relating to the external reporting of financial information.

#### 5.4. External audit

- (a) approving and recommending to the Board for acceptance, the terms of engagement with the external auditor at the beginning of each financial year;
- (b) regularly reviewing with the external auditor the scope of the external audit, identified risk areas, and any other agreed procedures;
- (c) meeting periodically with the external auditor to consider any comments made in the external auditor's management letter, particularly, any comments about material weaknesses in internal controls and management's response to those matters;
- (d) asking the external auditor if there have been any significant disagreements with management, whether or not they have been resolved;
- (e) regularly reviewing the effectiveness and independence of the external auditor taking into account:
  - (i) the length of appointment;
  - (ii) the last dates lead engagement partners were rotated; and
  - (iii) any relationships with ANI or any other body or organisation that may impair or appear to impair the external auditor's independence;
- (f) monitoring and reporting to the Board on management's response to the external auditor's findings and recommendations; and
- (g) receiving and reviewing the reports of the external auditor.

#### 5.5. Internal audit

- (a) Reviewing ANI's approach to undertaking internal audits, noting that ANI does not have a dedicated internal audit function, rather it has adopted a co-source model whereby it outsources discrete audit scopes to appropriate independent service providers;
- (b) reviewing the independence of the internal audit service providers taking into account any relationships with ANI executives and employees;
- (c) taking reasonable steps to ensure the external auditor does not provide internal audit services;

- (d) reviewing and approving the scope of the internal audit plan and work program; and
- (e) overseeing the liaison (if required) between the internal audit team and the external audit service provider.

## 6. Audit and Risk Committee meetings

The Audit and Risk Committee will meet as often as it considers necessary but at least three times a year.

A quorum for an Audit and Risk Committee meeting is two Audit and Risk Committee members.

Audit and Risk Committee meetings may be held by any technological means allowing its members to participate in discussions even if all of them are not physically present in the same place.

A member who is not physically present but participating by phone or video is taken to be present.

The Audit and Risk Committee may pass or approve a resolution without holding a meeting in accordance with the procedures (so far as they are appropriate) in Section 248A of the *Corporations Act 2001* (Cth).

The Audit and Risk Committee may invite other persons it regards appropriate to attend its meetings.

## 7. Minutes of Audit and Risk Committee meetings

The Audit and Risk Committee must keep minutes of its meetings.

Minutes, agenda and supporting papers are available to Directors via the Diligent Boards portal, except if there is a conflict of interest in which case the Company Secretary will arrange for restricted access.

## 8. Reporting to the Board

The Audit and Risk Committee Chair must report the Audit and Risk Committee's findings to the Board at the next regularly scheduled Board meeting.

## 9. Access to information and independent advice

The Audit and Risk Committee may seek any information it considers necessary to fulfil its responsibilities.

The Audit and Risk Committee has access to:

- (a) management (including the CEO and/or CFO) to seek explanations and

information from management; and

- (b) internal and external auditors to seek explanations and information from them, without management being present.

The Audit and Risk Committee may seek professional assistance from employees of ANI and may engage appropriate external advisers (on ordinary commercial terms), at ANI's cost. The Audit and Risk Committee may meet with these external advisers without management being present.

## 10. Review and changes to this charter

The Audit and Risk Committee will review and assess the adequacy of this charter annually or as often as it considers necessary and submit any proposed revisions to the Board for consideration and approval.

The Board may change this charter from time to time by resolution.

## 11. Self-Assessment

The Audit and Risk Committee will periodically assess whether the purpose, authority and responsibility, as defined in this charter, continue to be adequate to enable the Audit and Risk Committee to accomplish its objectives. The result of this periodic assessment will be communicated to the Board.

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