

Audit and Risk Committee

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1. The Charter

This Audit and Risk Committee Charter of the Queensland Bulk Water Supply Authority, trading as Seqwater (Seqwater) has been approved by the Board of Seqwater (the Board).

The purpose of this charter is to outline the role, responsibilities, composition and operating guidelines of the Audit and Risk Committee (the Committee) in accordance with the *Financial and Performance Management Standard 2009*.

2. Authority and Independence

The Committee has no executive powers, unless delegated to it by the Board.

The Committee is a committee of the Board and is directly responsible to the Board. In discharging its responsibilities, the Committee has the authority to:

- conduct or authorise investigations into matters within its scope of responsibility
- access information, records, and personnel of Seqwater for such purpose
- request the attendance of any employee, including Executives, at committee meetings
- conduct meetings with Seqwater internal and external auditors, as necessary.

The Committee is entitled to independent professional advice necessary to fulfil its relevant duties and responsibilities, with the prior approval of the Board Chairperson. The Committee should share relevant information and advice received with the other Board members where appropriate.

3. Role

The role of the Committee is to oversee assurance and assistance to the Board on:

- The Corporate Governance, Risk and Compliance frameworks
- Seqwater’s external accountability responsibilities as prescribed in the *Financial Accountability Act 2009* and Accounting Policy Standards
- The Committee does not replace or replicate established management responsibilities or delegations the responsibilities of other executive management groups within Seqwater or the reporting lines and responsibilities of either internal audit or external audit functions. The Committee will evaluate the quality and facilitate the practical discharge of the internal audit function, particularly in the areas of planning, monitoring, and reporting.

The Committee will provide prompt and constructive reports on its findings directly to the Board, particularly when issues are identified that could present a material risk or threat to Seqwater.

The Committee will have regard to the [Audit Committee - Guidelines for Improving Accountability and Performance July 2020](#).

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4. Duties and Responsibilities

The Committee is directly responsible and accountable to the Board for the exercise of its duties and responsibilities. In carrying out its duties and responsibilities, the Committee must at all times recognise that primary responsibility for governance of Seqwater rests with the Board.

5. Governance Risk Compliance

The Committee's duties and responsibilities are to oversee compliance with all mandatory requirements of Seqwater's corporate governance, including the systems of internal control.

The Committee will:

5.1. Corporate Governance

Monitor Seqwater's core corporate governance framework, as outlined in the following elements, to ensure they enable Seqwater to achieve its strategic and operational objectives.

5.2. Financial Statements

- Review the appropriateness of accounting policies adopted by Seqwater and ensure the accounting policies adopted are relevant to Seqwater and its specific circumstances.
- Review the appropriateness of significant assumptions and critical judgements made by management, particularly around estimations which impact on reported amounts of assets, liabilities, income, and expenses in the financial statements.
- Review the financial statements for compliance with prescribed accounting and other requirements.
- Assess and contribute to the audit planning process relating to the risks and threats to Seqwater, taking into account the financial and operational environment in which it operates, and its performance management framework.
- Review, with management and the external auditors, the results of the external audit and any significant issues identified.
- Exercise scepticism by questioning and seeking full and adequate explanations for any unusual transactions and their presentation in the financial statements.
- Analyse the financial performance and financial position and seek explanation for significant trends or variations from budget or forecasts.
- Ensure that assurance with respect to the accuracy and completeness of the financial statements is given by management.

5.3. Risk Management

- Review the appropriateness of Seqwater's risk appetite, risk tolerances, risk policy, and the enterprise risk management framework for assessing, managing, monitoring, and reporting risks, including risk of fraud and corruption.

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- Receive and review reports from management on significant risks to Seqwater, and the appropriateness and effectiveness of controls and processes, including insurance arrangements, to appropriately management these risks.
- Advise the Board on significant current and emerging risks and issues and any material changes to Seqwater’s risk profile.
- Assess the effectiveness of Seqwater’s processes for documenting, monitoring, and reviewing threats, vulnerabilities, risks, and controls, and for escalating significant risks and issues to executive leadership and the Board.
- Review the effectiveness of management strategies and actions to enable the adoption of the enterprise risk management framework across Seqwater, enhance awareness and common understanding of risks including enterprise risks and risks of fraud and corruption, and develop an appropriate risk culture.

5.4. Internal Control

- Review, through the internal and external audit functions, the adequacy of the internal control structure and systems, including information technology security and control.
- Review, through the internal and external audit functions, whether relevant policies and procedures are in place and up-to-date, including those for the management and exercise of delegations, and whether they are complied with.
- Review, through the General Manager Corporate Services, whether the financial internal controls are operating efficiently, effectively, and economically.

5.5. Performance Management

- Review the Seqwater’s compliance with the performance management and reporting requirements of the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019* and the ‘Annual Report Requirements for Queensland Government Agencies’.
- Review whether the performance management systems in place reflect Seqwater’s role/purpose and objective (as stated in its strategic plan and operational plan).
- Assess whether Seqwater uses appropriate benchmarks, targets, and trend analysis.
- Test the reasonableness of Seqwater’s draft annual Budget and associated longer-term financial forecasts with consideration of Seqwater’s strategic and operational objectives.

5.6. Internal Audit

- Review the budget, staffing and skills of the internal audit function.
- Review and approve the internal audit plan, its scope and progress, and any significant changes to it, including any difficulties or restrictions on scope of activities, or significant disagreements with management.
- Monitor the proposed internal audit strategic plan and annual plan to ensure they cover key risks and that there is appropriate co-ordination with the external auditor.
- Review the findings and recommendations of internal audit and the response to them by management.
- Review the implementation of internal audit recommendations accepted by management.
- Ensure that there is no material overlap between the internal and external audit functions.

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5.7. External Audit

- Consult with external audit on the proposed audit strategy, audit plan and audit fees for the year.
- Review the findings and recommendation of external audit (including from performance audits) and the response to them by management.
- Monitor responses provided by management to ensure they are in line with Seqwater’s risk management framework.
- Review the implementation of external audit recommendations accepted by management and where issues remain unresolved ensure that satisfactory progress is being made to mitigate the risk associated with the audit findings.

5.8. Compliance

- Review the appropriateness of Seqwater’s policies and frameworks for the identification, assessment, and management of its legal and compliance obligations.
- Monitor and review relevant policies, processes, and procedures for ensuring compliance with laws, regulations and other requirements relating to the external reporting by Seqwater of financial and non-financial information.
- Receive and review reports from management on significant legal and compliance risks and issues, and the appropriateness and effectiveness of controls and progresses to appropriately manage these risks and issues, including any material breaches and/or regulatory actions against Seqwater.
- Review the effectiveness of the system for monitoring Seqwater’s compliance with its obligations and the processes for remedying any identified non-compliances or deficiencies in controls.
- Review compliance-related significant findings from regulatory agencies, and internal and external audits, and assess management plans and actions to address those findings.

5.9. Board Reporting

- Circulate minutes of the Committee meetings to Seqwater Board, Committee members and invited guests as appropriate.
- Prepare an annual report to the Seqwater Board summarising the performance and achievements for the previous year, including Committee members’ attendance at the meetings. An interim program of the planned activities for the coming year is also to be provided.
- Submit a summary of its activities for inclusion in Seqwater’s Annual Report.

6. Membership and Meetings

6.1. Membership

- Members, including the Committee Chairperson, are appointed by the Board.
- Memberships of the committee will consist of a minimum of three and a maximum of six (unless otherwise determined by the Board).
- At least one member will have ‘financial expertise’ as described in the Queensland Treasury publication, Audit Committee Guidelines – Improving Accountability and Performance, July 2020.
- At least one member will have expertise in the bulk water industry.

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- The term of appointment is for three years. Members may be reappointed subject to the composition and skill requirements of the Committee.
- Members are appointed on the basis of personal qualities and skills.
- The Board Chairperson may appoint another Board member as an alternate member for a specific Committee meeting which the member is unable to attend. A Board member who is an alternate member may be counted for the purpose of determining whether a quorum is present. An alternate member is not entitled to receive any remuneration for serving as an alternate.

6.2. Committee Chairperson

- The Committee Chairperson will be a person having the appropriate qualifications and who is approved by the Board.
- The Committee Chairperson will possess sound communication and strong leadership skills.

6.3. Secretary

- A secretary/secretarial function will be appointed by the Seqwater Board to facilitate the Committee’s meetings and reporting duties.
- The secretary, in consultation with the Committee Chairperson, will prepare and send notices of meetings and agendas and accurately transcribe all decisions of the Committee.
- The secretary will table all correspondence, reports, and other information relevant to the Committee’s activities and operations.

6.4. Ethical Practices

Members are required to declare any interests that could constitute a real, potential, or apparent conflict of interest with respect to participation on the Committee. The declaration must be made on appointment to the Committee and in relation to specific agenda items at the outset of each Committee meeting and be updated, as necessary.

6.5. Meetings and Attendance

- The Committee will meet at least four times a year and the schedule of meetings will be agreed in advance.
- A quorum will be represented by a majority of standing Committee members.
- The Chief Executive Officer, the General Manager Corporate Services and the Company Secretary and General Counsel will attend each meeting.
- All Board members are entitled to attend Committee meetings as non-members and are entitled to receive Committee papers.

6.5.1. Consideration of matters without a meeting – circulating resolutions

The Committee may consider matters without a meeting via the following procedure:

- the CEO or Company Secretary will obtain the Committee Chairperson’s approval to issue a circulating resolution regarding a matter
- notice of the proposed resolution will be circulated by the secretary
- a circulating resolution will be validly passed if a majority of the eligible Committee members give written agreement to the resolution.

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6.6. Meeting Agenda

- The Committee should determine its own agenda, ensuring appropriate consultation to include emerging issues and emphasis on the most significant risk and threats.
- It is the responsibility of the Company Secretary and General Counsel in consultation primarily with the Committee Chairperson and the Chief Executive Officer, to manage the agenda and prepare and present the Committee papers. Consultation may also occur with the General Manager Corporate Services.
- The agenda and relevant papers will be distributed to members at least seven days prior to the meetings.

7. Relationships

7.1. Internal Audit

- The Committee will act as a forum for internal audit and oversee its planning, monitoring, and reporting processes. This process will form part of the governance processes that ensure that Seqwater’s internal audit function operates effectively, efficiency, and economically.
- The internal auditor and Manager Internal Audit, Fraud and Corruption Control will have a standing invitation to attend Committee meetings.
- The Committee Chairperson and at least one Committee members will hold executive sessions with the internal audit service provider, at least twice a year, if required.

The Committee will review:

- the adequacy of the Internal Audit Charter for recommendation to the Board
- the structure, qualification requirements, professional, ethical practices and raining needs of internal audit.
- internal audit strategic and operational plans to ensure an optimum, cost-effective audit cover, and make recommendations regarding the adoption of such plans for the Board’s consideration/approval
- the performance of internal audit relative to its annual audit plan
- the findings of internal audit and the actions proposed to be taken by management, including an assessment that the proposed solution is the most appropriate and cost-effective.

7.2. External Audit

- The Committee has no power of direction over external audit or the manner in which the external audit is planned or undertaken but will act as a forum for the consideration of external audit findings and will ensure that they are balanced with the views of management.
- The external auditor will have a standing invitation to attend committee meetings.
- The Committee Chairperson and at least one Committee members will hold executive sessions with external audit at least twice per year, if required.

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7.3. Other Committees

The Audit and Risk Committee shall liaise with the Investment and Procurement Committee and the People and Culture Committee as required to ensure:

- that its statutory and operational responsibilities are met
- that there is no material overlap between the functions and duties of the committees
- frank and meaningful interchange of information.

8. Evaluation of Committee Activities

- The Committee will once each year undertake a self-assessment of its performance for the previous twelve months.
- The Committee will provide a report of the annual review outcomes to the Board.
- The Committee Chairperson will provide each individual member with feedback on that person’s contribution to the Committee’s as part of the annual Committee Performance evaluation. This assessment will include a review of any training needs of the member.

9. Review of the Charter

- The charter will be reviewed annually by the Committee to ensure it remains consistent with the Committee’s authority, objectives, and responsibilities.
- Any amendments to the charter must be approved by the Board.

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