



Australian Government



Northern Australia Infrastructure Facility

NAIF Board Audit and Risk Committee Charter

September 2020

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1. Defining Governance

1.1. Board Audit and Risk Committee (BARC) Composition

In accordance with section 45 Public Governance, Performance and Accountability Act 2013 (PGPA Act) the Northern Australia Infrastructure Facility (NAIF) is required to ensure they have in place a functioning audit committee.

Further, in accordance with the Public Governance, Performance and Accountability Rule 2014, (PGPA Rule) section 17;

- (3) The audit committee must consist of at least 3 persons who have appropriate qualifications, knowledge, skills or experience to assist the committee to perform its functions.
- (4) On and after 1 July 2015, the majority of the members of the audit committee must:
 - (a) for a non-corporate Commonwealth entity—be persons who are not officials of the entity; or
 - (b) for a corporate Commonwealth entity—be persons who are not employees of entity.
- (5) Despite subsections (3) and (4), the following persons must not be a member of the audit committee:
 - (a) the accountable authority or, if the accountable authority has more than one member, the head (however described) of the accountable authority;
 - (b) the Chief Financial Officer (however described) of the entity;
 - (c) the Chief Executive Officer (however described) of the entity.

1.2. Role of BARC

In accordance with the PGPA Act and the PGPA Rule the primary function of the Board Audit and Risk Committee (Committee) is to review the appropriateness of:

- financial reporting;
- performance reporting;
- the system of risk management and oversight; and
- the system of internal control,

for the Northern Australia Infrastructure Facility (NAIF).

1.3. Role of Individual Directors

Under the Public Governance, Performance and Accountability Act 2013 Directors have several key duties, which modelled on those under the Corporations Act 2001;

- I. Duty of Care and Diligence:

This duty requires a Director to act with the degree of care and diligence that a reasonable person might be expected to show in the role (PGPA s25).
- II. Duty to act honestly, in good faith and for proper purpose:

This duty requires a Director to act in good faith in the best interests of NAIF and for a proper purpose (PGPA s26), including to avoid conflicts of interest, and to reveal and manage conflicts if they arise.

- III. Duty in relation to the use of position:
This duty requires Directors to not improperly use their position to gain an advantage for themselves or someone else, or to the detriment of NAIF (PGPA s27).
- IV. Duty in relation to the use of information:
This duty requires Directors to not improperly use the information they gain during their Director duties to gain an advantage for themselves or someone else, or to the detriment of NAIF (PGPA s28)
- V. Duty to disclose interests:
This duty requires Directors to disclose the details of material interests. The concept of materiality is anything that has the capacity to impact on the ability of the Director to honestly discharge their duties to NAIF (PGPA s29.)

In addition to the above, NAIF requires its Directors to;

- Prepare for, attend and participate at Board meetings and, where relevant, Committee meetings.
- Perform with the expertise, competence and integrity required by the Board.
- Communicate openly within the Board and with the Executive Management Group.
- Acquire and develop general knowledge of NAIF, its business and regulatory environment.
- Comply with their obligations under relevant law, including the NAIF Act and the PGPA Act.
- Comply with their obligations under applicable NAIF policies as listed in Appendix (1) and updated from time to time.
- Working with management, represent NAIF at external meetings or functions and advocate for and on behalf of NAIF where appropriate.

1.4. Role of the Chair

The Chair acts as an important link between the BARC, the Board and the organisation's management via the CEO.

The Chair is responsible for leadership of the BARC including:

- facilitating proper information flow to the Board on matters within the remit of the BARC.
- facilitating the effective functioning of the BARC including managing the conduct, frequency and length of meetings.
- communicating the views of the BARC, in conjunction with the CEO, to the full Board.

In performing his/her role, the Chair's responsibilities also include:

- in consultation with the CEO and the Company Secretary setting the agenda for the matters to be considered by the BARC.
- seeking to ensure that the information provided to the BARC is relevant, accurate, timely and sufficient to keep the BARC appropriately informed of the performance of the NAIF and of any developments that may have a material impact on NAIF or its performance as it relates to the BARC functions.
- Seeking to ensure that the BARC has the opportunity to maintain adequate understanding of the organisation's financial, Audit and Risk functions.

2. Key BARC Functions

In order to discharge its primary function, the Committee will:

2.1. Risk settings and parameters

- Develop and recommend to the Board for adoption an appropriate Risk Appetite Statement for NAIF in accordance with the Northern Australia Infrastructure Facility Investment Mandate Direction 2018 or any subsequent Investment Mandate issued by the Responsible Minister.
- Periodically review NAIF's Risk Appetite Statement to assess whether it remains current and relevant to NAIF and advise the Board on its appropriateness.
- Monitor the Risk Management Framework, its effectiveness, implementation and adherence to policies and procedures and make recommendations to the Board on changes to that framework, where appropriate.

2.2. Internal and external audit function

- Make recommendations to the Board on the appointment, assessment and removal of the internal auditors (if any) and oversee their independence.
- Support the Australian National Audit Office (ANAO) as NAIF's mandated external auditor and oversee their independence.
- Annually review and approve the external and (if any) internal audit fees, plans and their scope.

2.3. Compliance controls and oversight

- Monitor the internal control environment and procedures designed to achieve compliance with laws, regulations, Commonwealth government policies and other relevant standards.
- Oversee compliance with statutory and other legal requirements relating to financial disclosure and regulatory reporting.
- Monitor and assist NAIF and its directors to comply with obligations under the PGPA Act and any other applicable legislation.
- Provide an effective forum for communication between the directors, NAIF's senior managers and the internal and external auditors.
- Monitor compliance with the Board approved Risk Appetite Statement.
- Monitor changes of significance to NAIF in relation to the various laws, regulations, accounting policies and regulatory / reporting requirements that apply to NAIF.

2.4. Management and internal controls

- Satisfy itself that the current areas of material financial and operational risk to NAIF have been identified and that management are effectively managing the risks.
- Satisfy itself that effective systems of accounting, administrative and operational controls are in place to manage financial risk so that timely and meaningful financial statements are available to stakeholders.
- Satisfy itself that the roles and responsibilities relating to risk management are clearly defined

and adhered to by management.

- Provide advice to the Board on the appropriateness of NAIF's system of internal control including any specific areas of concern or suggestions for improvement.

2.5. Financial and performance reporting

- Review the annual and interim management financial statements and recommend acceptance to the Board.
- Approve NAIF's accounting policies and practices in the light of relevant laws, accounting standards and principles.
- Comply with directions and guidance from the Department of Finance under the PGPA Act in relation to financial and performance reporting.
- Review the annual performance statement and provide advice to the Board on its appropriateness.
- Provide advice to the Board on the appropriateness of NAIF's financial and performance reporting as a whole, including any specific areas of concern or suggestions for improvement.
- Annual review of NAIF's operating budget from a risk management perspective, ahead of Board review and approval, noting the BARC does not endorse underlying assumptions.

2.6. Audit review

- Review the audit plan to determine whether all material risks and financial reporting requirements are covered by the audit plan and recommend approval by the Board.
- Review and assess the findings of the internal and external auditors and the action taken and the timetable proposed by management in response to those findings.
- Provide advice to the Board on major concerns identified in audit reports and recommend action plans including identification and dissemination of information on good practice.
- Review, at least annually, the scope, results and performance of the external and internal auditors.

2.7. Other responsibilities

- Commission such special audits or investigations as may be necessary.
- Determine whether to approve any consultants to the ANAO undertaking any non-audit consultancy work for NAIF.
- Monitor the performance of those responsible for managing risk and compliance matters.
- Perform any other tasks the Board may from time to time authorise.

3. BARC Practices

3.1. BARC Meetings

The Committee will hold at least two meetings per year, or such greater number as the Committee Chair may determine. A member of the Committee may attend a meeting via telephone or videoconference rather than in person. At a meeting of the Committee, a quorum consists of two members.

3.2. BARC Meeting Agenda

The Company Secretary will actively work with both the CEO and the Chair to set BARC agendas. In doing so, information may be drawn from the Board calendar and incorporated as planned.

Directors may request an item be added to an agenda at any time ahead of the BARC meeting, but not less than 10 days. Late agenda items will be tabled at the discretion of the Chair.

3.3. BARC Papers

Board papers will be uploaded to a board papers review platform, which may be in place from time to time, (currently Diligent) Diligent and will be available to Board members within seven (7) days of a scheduled Board meeting. Where out of session or emergent Board meetings are called papers will be provided at the earliest opportunity.

Minutes will be settled with the Chair within 48 hours of the meeting and will be distributed with the following Board meetings papers. Minutes are taken as draft until they are ratified by the Board.

3.4. BARC Reporting

The Committee Chair will provide a report to the Board following each meeting. In addition, the Committee will provide:

- copies of its minutes to the Board;
- a report annually to the Board on the trends/issues that have arisen in the Committee's work over the previous twelve months; and
- such additional reporting as the Board may require.

4. BARC Effectiveness

4.1. Directors and Officer Insurance

Directors are currently covered under Comcare Directors and Officers Insurance.

4.2. BARC membership

The Board will appoint Committee members. They will be subject to rotation as determined by the Board. The Board will appoint one of the members as Chair of the Committee.

The Committee will consist of at least three members, with a minimum of two non-executive Directors of the Board, all of whom should have appropriate qualifications, knowledge, skills and experience to assist the Committee to perform its functions. At least one of the members of the Committee should be an accountant or financial professional with experience of financial and accounting matters.

Pursuant to the PGPA Act, the Chair of the Board, the Chief Executive Officer and the Chief Financial Officer of NAIF cannot be members of the Committee.

4.3. Director Induction

Whenever possible, members designate will attend Committee meetings during a transition period prior to the retirement of the member that they will replace.

4.4. Participation of non-members

Internal and external auditors and employees of NAIF may attend and participate in meetings at the invitation of the Committee (but will not be entitled to vote).

The Chief Executive Officer is expected to attend meetings of the Committee, together with such other members of management as the Committee determines.

The Committee will have a discussion with the external auditors and internal auditors, at least once a year, without members of management in attendance.

The Committee collectively, and each member individually, has the right to seek independent professional advice they determine is appropriate to enable the Committee or its members to satisfy their responsibilities and meet their objectives. Any individual member of the Committee may retain such independent advice, at the cost of NAIF, with the prior approval of the Committee Chair. Other members of the Board will receive copies of the Committee papers upon request.

Any Board member is welcome to attend any Committee meeting.

4.5. BARC evaluation

The Committee will review the scope and effectiveness of its activities annually. The review will incorporate input from relevant stakeholders and the Committee Chair will provide a report to the Board.

The Charter is reviewed annually, or more frequently if required, to ensure it remains aligned with governing legislation. The Board approves all material amendments to the Charter.

4.6. Accountability

4.6.1. Internal Audit

The internal auditors are accountable to the Chief Executive Officer, the Committee and the Board.

While day to day issues under the contract with the outsourced internal auditors will be handled by management, the internal auditors will have direct access to the Committee at any time.

4.6.2. External Audit

The Committee is the channel to the Board for communication with the external auditors, the ANAO, and any consultants engaged by the ANAO. Any member of the Committee may request a meeting with the external auditors in order to fulfil the Committee's charter.

4.6.3. Access to the Committee

On any matter within the Committee's charter, any member of NAIF's staff has access to the Committee Chair.

4.6.4. Access to Management

The Committee will have complete access to NAIF's staff and business records in order to fulfil its charter. For the purpose of fostering open communication, the Committee will meet with management, the internal and external auditors in separate executive sessions as the Committee sees fit to discuss any matters the Committee or each of these groups believe should be discussed privately.