

Audit and Risk Committee

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1. The Terms of Reference

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

2. Purpose

This TOR outlines the role, responsibilities, composition and operating guidelines of the Audit and Risk Committee (the Committee) in accordance with the *Financial and Performance Management Standard 2019 (Qld)* and related Queensland Government guidelines.

3. 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's internal and external auditors, as necessary.
- seek advice from external parties, 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.

4. Role

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

- financial and performance reporting processes
- Seqwater's corporate governance, risk, and compliance frameworks
- Seqwater's external accountability responsibilities as prescribed in the *South East Queensland Water (Restructuring) Act 2007 (Qld)*, the *Financial Accountability Act 2009 (Qld)*, *Financial and Performance Management Standard 2019 (Qld)*, and related Queensland Government policies and guidelines.

The Committee does not replace or replicate established management responsibilities and delegations, the responsibilities of other executive management groups within Seqwater, or the reporting lines and responsibilities

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of either internal audit or external audit functions. The Committee will oversee and 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.

5. 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 and Management of Seqwater with the Chief Executive Officer (CEO).

The Committee's duties and responsibilities are to:

5.1. Corporate Governance

- Oversee and monitor Seqwater's core corporate governance framework, as outlined in the following components, 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.
- 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..

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- Receive and review reports from Management on significant risks to Seqwater including fraud and corruption risks, cyber security risks and business resilience risks, and the appropriateness and effectiveness of controls and processes, to appropriately manage these risks.
- Advise the Board on significant current and emerging risks and issues and any material changes to Seqwater's risk profile.
- Review the effectiveness of Seqwater's processes for documenting, monitoring, and reviewing threats, vulnerabilities, risks, and controls, and for escalating significant enterprise and material project 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 enterprise and material project risks, including fraud and corruption risks, and develop an appropriate risk culture.
- Assess and contribute to the audit planning process relating to the risks and threats to Seqwater.

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 Executive General Manager Corporate Services, whether the financial internal controls are operating efficiently, effectively, and economically.

5.5. Performance Management

- Review Seqwater's compliance with the performance management and reporting requirements of the *Financial Accountability Act 2009 (Qld)*, the *Financial and Performance Management Standard 2019 (Qld)* 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 annually the adequacy of the Internal Audit Charter ([POL-00009](#)) for recommendation to the Board.
- Review the budget, resource requirements, ethical practices and training needs of the internal audit function.
- Review and approve the annual internal audit plan to ensure it covers key risks and that there is appropriate coordination with the external auditor.
- Monitor the performance of internal audit against its annual audit plan and any changes to it, including any difficulties or restrictions on scope of activities or significant disagreements with management.

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- Review the findings and recommendations of internal audit and the actions proposed to be taken by management to ensure they are in line with Seqwater's risk management framework, appropriate, and cost-effective.
- Review the implementation of internal audit recommendations accepted by management.
- Ensure that there is no material overlap between the internal and external audit functions.

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 to ensure they are in line with Seqwater's risk management framework, appropriate, and cost-effective.
- 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 effectiveness of Seqwater's governance for the identification, assessment, and management of its compliance with relevant laws, regulations, and governance policies, and the process 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.
- Review the business continuity arrangements, including any assurance and results.

5.9. Integrity

- Receive and review reports from Management on integrity-related matters such as fraud and corruption control, conflict of interest management, information privacy, public interest disclosure and gifts and benefits, to monitor Management's efforts to maintain a culture which values and enables acting with integrity.

5.10. Board Reporting

- Circulate minutes of the Committee meetings to Board, Committee members and invited guests as appropriate.
- Prepare an annual report to the Board summarising the performance and achievements for the previous year, including Committee members' attendance at the meetings, a statement as to whether the Committee complies with the composition requirements, and any planned actions and interim program to address compliance issues in the coming year.
- A summary of the Committee's activities shall be included in Seqwater's Annual Report.

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6. Membership and Meetings

6.1. Membership

- Members, including the Committee Chairperson, are appointed by the Board.
- The Committee shall consist of a minimum of three and a maximum of six members (unless otherwise determined by the Board).
- The term of appointment is for three years. Members may be reappointed subject to the composition and skill requirements of the Committee. Member terms and conditions are to be disclosed in the Letter of Appointment.
- Members shall have the skills, knowledge, and personal attributes to enable the Committee to perform its role and responsibilities effectively. At least one member will have suitable financial expertise as described by Queensland Government guidelines and at least one member will have suitable expertise in the bulk water industry. Where possible, the membership of the Committee shall reflect community expectations and government policy related to gender equity and diversity of personal characteristics, skills, and experience.
- Proxies are not permitted if a member is unable to attend meetings. The Board Chairperson may appoint another Board member as an alternate member for a specific Committee meeting which a member is unable to attend. The 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 shall
 - be a person having the appropriate qualifications and who is approved by the Board.
 - possess sound communication and strong leadership skills
 - be directly responsible and accountable to the Board for the exercise of their responsibilities.

6.3. Secretariat

- A secretariat function shall be appointed by the Board to facilitate the Committee's meetings and reporting duties.
- The secretariat, in consultation with the Committee Chairperson, shall prepare and send notices of meetings and agendas and accurately transcribe all decisions of the Committee.
- The secretariat shall table all correspondence, reports, and other information relevant to the Committee's activities and operations.
- The secretariat shall provide administrative support to the Board and Committee Chairperson regarding the appointment, induction and retirement of Committee members.

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

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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 shall meet at least four times a year and the schedule of meetings will be agreed in advance.
- A quorum shall consist of a majority of Committee members.
- The CEO, the Executive General Manager Corporate Services, the General Manager Legal & Governance and the Manager Risk and Compliance shall normally be invited to attend each meeting. The Committee may ask Management to present at Committee meetings as required.
- All Board members are entitled to attend Committee meetings as non-members and are entitled to receive Committee papers.
- The Committee may hold meetings, or allow members to take part in its meetings, by using any technology that reasonably allows members to head and take part in discussions as they happen. A member who takes part in a meeting by using such technology is taken to be present at the meeting.

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 Manager Governance and 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 Secretariat to all Committee members by email.
- a circulating resolution will be validly passed if a majority of the eligible Committee members give written agreement to the resolution (email is acceptable).

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 Manager Governance and Company Secretary in consultation primarily with the Committee Chairperson and the CEO, to manage the agenda and prepare and present the Committee papers. Consultation may also occur with the Executive General Manager Corporate Services.
- The agenda and relevant papers will be distributed to members at least seven calendar 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, efficiently, and economically.

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- The internal auditor will have a standing invitation to attend Committee meetings.
- The Committee Chairperson and at least one Committee member will hold executive sessions with the internal audit service provider, at least twice a year, as required in the Chairperson's sole discretion.

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 member will hold executive sessions with external audit at least twice per year, if required.

7.3. Other Board Committees

The Committee shall liaise with the Board's other two sub-committees, being the Assets and Investments Committee and the Customers and People 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 occurs.

8. Evaluation of Committee Activities

- The Committee shall undertake an annual self-assessment of its performance for the previous twelve months.
- The Committee will provide a report of the annual Committee performance evaluation to the Board.
- At least once every three years (unless otherwise determined by the Board) the secretariat in consultation with the Committee Chairperson shall arrange for an external peer review of its operations and activities. The results of this review are to be provided directly to the Board.

9. Review of the Terms of Reference

- The TOR will be reviewed annually by the Committee to:
 - consider the existing context of Seqwater and its business; and
 - ensure the TOR remains consistent with the Committee's objectives, role, and responsibilities granted to it by the Board.
- Any amendments to this TOR shall be discussed and approved by the Board.

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