



POWERLINK QUEENSLAND

AUDIT, RISK AND COMPLIANCE
COMMITTEE

TERMS OF REFERENCE

December 2023

POWERLINK AUDIT, RISK AND COMPLIANCE COMMITTEE TERMS OF REFERENCE

1. OBJECTIVES

The Audit, Risk and Compliance Committee (the "Committee") is a committee of the Board of Directors established to assist the Board in fulfilling its oversight responsibilities by reviewing and reporting to the Board on specified aspects of Powerlink Queensland (the "Corporation") and its subsidiaries in relation to:

- ❖ The integrity of the financial reporting process;
- ❖ The effectiveness of the Corporation's systems of internal controls;
- ❖ The Corporation's process for monitoring compliance with applicable laws, regulations and codes of conduct; and
- ❖ The effectiveness of the Corporation's risk management systems.

To achieve its objectives the Committee will:

- consider the adequacy of the internal control policies, procedures and compliance systems established by management;
- review and consider the effectiveness of and the reports arising from the risk management framework;
- review and consider statutory financial information provided annually;
- review and consider the effectiveness of, and reports arising from, the Corporation's internal and external audit programs;
- receive, or request, reports from management, internal auditors, external auditors or others as it sees fit; and
- report to the Board on its work, express its opinion, as appropriate, on the Corporation's compliance with the responsibilities covered by this Terms of Reference, and make recommendations to the Board as necessary.

In this regard, the Committee:

- has the delegated authority from the Board to seek and obtain information it requires from any employee of the Corporation;
- shall have unrestricted access to the internal and external auditor; and
- is authorised to take such independent professional advice, as it considers necessary.

The Committee is empowered to examine any matter in relation to its objectives as it sees fit or as requested by the Board.

2. DUTIES AND RESPONSIBILITIES

The Committee will:

2.1 Financial Integrity

- (a) consider the adequacy of the Corporation's systems of internal control surrounding key financial processes, including computer based systems.
- (b) consider the impact of any changes to the Corporation's key accounting policies.

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- (c) consider the annual statutory financial statements and confirm with the Chief Financial Officer and the external auditor the Corporation's compliance with accounting standards and regulations and the appropriateness of financial policies adopted. The Committee will resolve, or refer to the Board, any differences of opinion between management and the external auditor and other issues as necessary.
- (d) review and consider reports on any major defalcations, fraud or theft, or other breakdown of the Corporation's internal controls, and assess appropriateness of actions taken by management in relation thereto.
- (e) review of the external audit processes:
 - i. communicate the Committee's expectations to the external auditor.
 - ii. review and provide input to the external auditor's overall audit approach and plan, their audit approach in risk areas, and their planned coordination with the internal auditor.
 - iii. review reports and outcomes of the external audit program.
 - iv. obtain from the external auditor confirmation of their continued independence and objectivity and assess whether the Committee is satisfied that their independence has been maintained.
- (f) review and consider exception reports on bad and doubtful debts.

2.2 Internal Control

- (a) communicate the Committee's expectations to the internal auditor.
- (b) review and agree the annual internal audit plans.
- (c) monitor and review internal audit performance against its plan, its activities and its outputs.
- (d) review outcomes of internal audits (including key audit findings, management responses and progress on action plans).
- (e) obtain from the internal auditor confirmation of their continued independence and objectivity, and that they have had no restrictions placed on their functions. Review the independence of the internal auditor, particularly assessing whether the Committee is satisfied that their independence has been maintained.

2.3 Laws, Regulations and Codes of Conduct

- (a) consider management's program for the ongoing identification of and compliance with relevant Laws, Regulations and Codes of Conduct.
- (b) consider the Legal Compliance Status Report presented to the Committee and assess whether the compliance program is fulfilling its purpose.
- (c) consider the Powerlink Board Handbook for currency and completeness.

2.4 Risk Management

- (a) review the Corporation's Risk Management Policy and any necessary changes and endorse for submission to the Board.
- (b) provide input to the Executive Team as to the identification and prioritisation of significant business and audit risks.
- (c) review and endorse the annual Corporate Risk Profile.

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- (d) monitor and review the Corporation's credit risk exposure for non-prescribed and negotiated transmission services.
- (e) monitor the Corporation's risk management process.
- (f) review the Corporation's Insurance program.

3. MEMBERSHIP AND MEETINGS

3.1 Appointment

The Board shall appoint and remove members of the Committee, and the Chair of the Committee.

The Board has determined that the Committee will comprise at least three Directors. A quorum will be a minimum of two Committee members.

At least every two years, the Committee will review its membership, and having considered the length of service of the members, the development of Director skills and any other relevant considerations, recommend to the Board the preferred ongoing membership of the Committee.

3.2 Secretarial

The Committee will be assigned a Secretary who shall be responsible, in conjunction with the Chair, for drawing up the agenda, and circulating the agenda supported by explanatory documents to Committee members prior to each meeting.

The Secretary will also be responsible for recording and keeping the minutes of meetings of the Committee, and circulating them to Committee members as soon as practicable after each meeting (with those minutes to be tabled and confirmed at the next Committee meeting).

3.3 Attendance

The Chief Executive (or nominee) and the Chief Financial Officer shall have standing invitations to attend all Committee meetings. Others may be requested to attend Committee meetings to discuss or report on particular agenda items.

The Committee may determine from time to time, that it is appropriate to conduct meetings privately. The Committee may decide to exclude some or all non-committee members from any meeting.

The Committee may meet with the internal auditor and the external auditor without management being present.

3.4 Frequency

The Committee will hold at least four (4) meetings each year, and such additional meetings as the Secretary or Chair shall decide in order to fulfil the duties of the Committee.

In addition, the Chair is required to call a meeting of the Committee if requested to do so by any Committee member, the Chief Executive, the Chief Financial Officer, the internal auditor or the external auditor.

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4. REPORTING AND SELF ASSESSMENT

The Committee shall:

- provide an update to the Board following each meeting and make available the minutes of all Committee meetings to Board members; and
- circulate the Legal Compliance Status Report to Directors who are not a member of the Committee.

The Committee will conduct a regular process of self-assessment, including a review of the Committee's Terms of Reference at least every two years. The self-assessment will include matters listed in Appendix A and a review of the Activity Matrix (Appendix B).

The Committee's performance, including the self-assessment, will be reviewed as part of the annual Board performance review.

APPENDIX A.

**ANNUAL SUMMARY OF THE ACTIVITIES OF
AUDIT, RISK AND COMPLIANCE COMMITTEE**

The Committee will consider the items below as part of its annual self assessment;

- ❖ Composition of the Committee.
- ❖ Number of meetings held and number attended by each committee member.
- ❖ A summary of the main objectives and responsibilities of the Committee, confirmation that the Committee adheres to the objectives and principles of the Terms of Reference, and that they have been met.
- ❖ Significant issues addressed and their resolution in relation to matters of:
 - Financial integrity;
 - Internal Control;
 - Laws, regulations and codes of conduct; and
 - Risk management.

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APPENDIX B.

ACTIVITY MATRIX TO MONITOR PROGRESS AGAINST ACHIEVEMENT OF OBJECTIVES

ARCC 2023 and 2024 OBJECTIVES	Next Due	Mtg 1 Mar	Mtg 2 Jun	Mtg 3 Aug	Mtg 4 Nov
FINANCIAL INTEGRITY					
❖ Annual Statutory Financial Statements				○	
❖ Internal control of financial processes ❖ Internal Audit ❖ QAO Audit Report				○	
❖ Reports on major defalcations, fraud, etc.		◇	◇	○ (Mgt Rep)	◇
❖ External Audit Plan					○
❖ External Audit Status Report		○	○	○	○
❖ Audit independence				○	
❖ Exception reports on bad & doubtful debts		◇	◇	◇	◇
LAWS, REGULATIONS & CODES OF CONDUCT					
❖ Legal and Statutory Compliance Report		○	○	○	○
❖ Protected Disclosures		○	○	○	○
BUSINESS RISK MANAGEMENT					
❖ Risk Management Policy (2 Yearly)	Nov 2024				
❖ Risk Appetite Statements (2 Yearly)	Nov 2024				
❖ Enterprise Risk Profile Report		○	○	○	○
❖ Litigation Matters Report		○	○	○	○
❖ Insurance Program		○		○	
INTERNAL CONTROL					
❖ Internal Audit Plan					○
❖ Internal Audit Status Report/s		○	○	○	○
❖ Internal Audit Provider – Contract Status (1 year extension ends Jan 2025)	June 2024				
❖ Audit independence		○	○	○	○
REPORTING					
❖ Review Committee Terms of Reference and Membership (2 Yearly)	Nov 2024				
❖ Review Board Handbook (2 Yearly)	Mar 2024	○			
❖ Self-Assessment of Committee			○	○	
❖ Review Committee Terms of Reference (2 Yearly)	Nov 2025				
❖ Annual Report to Board on Activities				○	

○ - Standing Item ◇ - By exception