



Gladstone Ports Corporation Limited

Audit and Compliance Committee Charter

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1. Terms of Reference

- 1.1 The primary objective of the Audit and Compliance Committee (“Audit Committee”) is to assist the Board in fulfilling its responsibilities in relation to oversight of financial reporting, audit, legal compliance and internal control.

The purpose of this charter is to outline the role, responsibilities, composition and operating guidelines of the Audit Committee.

- 1.2 Authority and Independence

The Audit Committee has no executive powers, unless delegated to it by the Board of Directors, (Board).

The Audit Committee is a committee of the Board of GPC 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 GPC for such purpose.
- Request the attendance of any employee, including executive staff, at committee meetings.
- Conduct meetings with GPC's internal and external auditors, as necessary.
- Seek advice from external parties, as necessary.

2. Role and Responsibilities

The Board has ultimate responsibility for ensuring the safeguarding of the GPC's assets, maintaining adequate and accurate accounting records and management information, developing and maintaining sound systems of internal control, risk management and information security and ensuring compliance with all applicable laws and regulations.

The Audit Committee does not replace or replicate established management responsibilities and delegations, the responsibilities of other executive management groups within GPC, or the reporting lines and responsibilities of either internal audit or external audit functions.

The Audit 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 management of GPC rests with the Board.

- 2.1 The Audit Committee is delegated the following role and responsibilities:

2.1.1 Internal Accounting Controls and Procedures:

The Audit Committee will:

- Discuss with management and auditors GPC's internal accounting controls and the procedures and records that are concerned with the management of risks to GPC and

the reliability of financial records, to determine that these groups are satisfied with the appropriateness of policies and effectiveness of such controls.

- Within the scope of the above, review the adequacy and effectiveness of the internal control structure and systems, including information technology security and control to ensure compliance with various regulatory requirements and GPC's responsibilities and policies and procedures.
- 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.
- Discuss with management and the auditors, recent and prospective pronouncements and developments on accounting regulatory matters and any legislative changes and review the potential impact of such pronouncements, developments and changes on GPC's financial statements and accounting policies.
- Review the risk management framework for accounting risks, including fraud.

Review the effectiveness of GPC's processes for identifying and escalating risks, particularly strategic risks.
- Ensure it understands GPC's structure, controls, and types of transactions in order to adequately assess the significant risks faced by GPC in the current environment.

2.1.2 External Auditors

The Audit Committee will:

- Discuss with the external auditors the scope and general extent of their proposed audit strategy, annual audit plan and audit fees for the year.
- Review the external auditors' findings and recommendations, including interim audit reports and management's responses and action to correct any noted deficiencies. Advise the Board of any issues of concern and the extent to which audit recommendations have been or are to be implemented.
- Review any other matters relevant to the audit of GPC's accounts deemed necessary to ensure compliance with the applicable laws, regulations, standards and policies, including resolution of disagreements between management and the auditor regarding financial reporting.
- Ensure that there is no material overlap between the internal and external audit functions.

2.1.3 Published Financial Statements

The Audit Committee will:

- Obtain satisfaction that the annual financial statements reflect the financial condition of the GPC and ascertain from the auditors whether there are any other matters they may wish to raise in connection with the audit and act as a forum for resolving any outstanding issues.
- Review the appropriateness of accounting policies.
- Review the appropriateness of significant assumptions made by management in preparing 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.
- Ensure there is proper explanation for any unusual transactions or trends or variations from budget.
- Review all representation letters signed by management to ensure that the information provided is complete and appropriate.

2.1.4 Internal Audit

The Audit Committee will:

- Review internal audit arrangements and scope of work and requirements for the internal auditors to effectively carry out their audit functions.
- Monitor results of the internal audit programme.
- Review the internal audit charter, qualification and staffing.
- Assess the compatibility of management's and the committee's expectations of internal audit activities.
- Evaluate the process for establishing the annual internal audit plan and ensure that the plan provides adequate assurance regarding the controls for the key risks to GPC.
- Review the annual audit plan with management, internal and external auditors, recognising the need to balance financial and operational auditing.
- Identify and communicate Audit Committee expectations to the internal audit function and management. Periodically measure the auditors' performance against these expectations.

- Assure that the internal and external auditors co-ordinate financial auditing plans, to provide appropriate audit coverage of key business controls and financial statement risk areas and eliminate duplication of effort.
- Be directly responsible for making recommendations to the Board on the appointment, reappointment or replacement, and remuneration of the Internal Auditors.

2.1.5 Compliance

The Audit Committee will:

- Oversee the development and ongoing maintenance and management of the legal compliance framework.
- Monitor compliance activities within GPC, and ensure that such activities are being undertaken to address legislative requirements and government policy requirements.
- Oversee corrective actions taken subsequent to any breaches of compliance requirements which may occur.
- Review the effectiveness of the system for monitoring the GPC's compliance with relevant laws, regulations and government policies.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.

2.1.6 Performance Management

The Audit Committee will:-

- Review the GPC's compliance with the performance reporting requirements of the Financial Administration and Audit Act 1977, the Financial Management Standard 1997 and the Annual Report Guidelines for Queensland GOC's.
- Review whether performance management systems in place reflect the GPC's mission, goals and operational objectives.
- Identify that the performance reporting and information uses appropriate benchmarks, targets and trend analysis.

2.1.7 Reporting

The Audit Committee will:-

- Submit quarterly reports to the Board outlining relevant matters that have been considered by it as well as the committee's opinions, decisions and recommendations
- Prepare an annual report to the Board summarising the performance and achievements for the previous year. An

interim program of the planned activities for the coming year also is to be provided.

- Submit a summary of its activities for inclusion in GPC's Annual Report.

3. Relationship with the Board and Management

3.1 The Board has ultimate responsibility for the oversight of GPC's observance of relevant audit and compliance requirements.

3.2 The Board has appointed the Audit Committee to ensure the fulfilment of these responsibilities.

3.3 The Audit Committee will:

- Advise and assist the Board in fulfilling its responsibilities relating to financial reporting and in safeguarding GPC's assets, focusing on:

- Any change in accounting policies and practices
- Major judgemental areas
- Significant adjustments resulting from the external audit
- Internal audit, compliance and governance statements
- Compliance with accounting and disclosure standards
- The accounting treatment offered to any significant transactions

The Audit Committee however does not replace the Board's responsibility to review and approve the financial statements.

- Ensure the Board is aware of matters which may significantly impact on the affairs of GPC; and

- Liaise as necessary with the Human Resources Committee, and other Committees established from time to time by the Board, as appropriate.

- Do other things and take other actions as are necessary or prudent to fulfil the responsibilities of the Committee, provided that no action will be taken without approval of the Board.

- Assign to the administrative officer assigned by the CEO to assist the Committee, such duties and responsibilities as the Committee may deem appropriate.

3.4 The CEO and management are responsible for the day-to-day management of the systems, processes and practices associated with compliance and risk management.

3.5 The CEO and management will provide reports, briefings and presentations on relevant matters to the Audit Committee on a regular basis, throughout the year.

3.6 Following review by the Chair, a copy of the Audit Committee meeting minutes are to be included in the papers for the next Board meeting.

4. Membership

- 4.1 The Board appoints the Audit and Compliance Committee members and it's Chair.
- 4.2 The membership of the Committee should be reviewed annually by the Board and should comprise at least three non-executive members of the Board.
- 4.3 All committee members shall be financially literate, or become financially literate within a reasonable period of time after appointment. Furthermore, to the extent practicable, at least one member shall have accounting and/or related financial management expertise as determined by the Board.
- 4.4 At least one member will have expertise in the industry in which GPC operates.
- 4.5 The term of appointment is generally for three years at the discretion of the Board and can be extended for a further term subject to the composition and skill requirements of the committee.
- 4.6 Members are appointed on the basis of personal qualities and skills and proxies are not permitted if the member is unable to attend meetings
- 4.7 Member terms and conditions are to be disclosed in the Letter of Appointment
- 4.8 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.

5. Confidentiality

- 5.1 All proceedings of the Audit Committee, including papers submitted and presentations made to the Committee shall be kept confidential and will not be disclosed or released to any person other than either Committee members or members of the Board , except as required by law or as agreed by the Committee or Board of Directors.

6. Meetings

- 6.1 Meetings and proceedings of the Audit Committee are governed by the same provisions regulating meetings and proceedings of the Board.
- 6.2 **Timing** The Chair shall convene meetings at such times as may be necessary. It any event, the Committee shall meet at least on four occasions each year.
- 6.3 **Quorum**
 - A minimum of two directors will attend the Committee Meetings. In circumstances where one of the Directors is not available, then an alternate Director (who must be a current Director of the Board), as nominated by the Chair, may attend.

- In the absence of the Committee Chair, the members will elect one of their number as Chair of the meeting.

6.4 Attendance

- The Chief Executive Officer, the Commercial General Manager and Board Secretary shall have standing invitations to attend all Committee meetings.
- The administrative officer assigned by the CEO to assist the Committee attends all Audit Committee meetings by standing invitation.
- Managers and other employees of GPC, and external consultants engaged on relevant tasks, may be invited to attend committee meetings as appropriate.
- External and internal auditors may be invited to attend committee meetings as appropriate, as may Managers and other employees of GPC.
- The opportunity should be available to the external and internal auditors to meet with members of the Audit Committee as required.

6.5 Agenda Items

- The agenda for an Audit Committee meeting is determined by its Chair, in consultation with the administrative officer assigned by the CEO to assist the Audit Committee.
- The Committee, as appropriate, may consider the following matters and minute them accordingly:
 - i. Review and approval of the minutes of previous meetings;
 - ii. Review the major issues relating to audit, compliance and risk management;
 - iii. Prepare reports and recommendations to the Board;
 - iv. Review of reports on the results of audits and risk assessments, the replies of management and also any corrective actions taken by management, as deemed appropriate;
 - v. Invite management and the auditors, where necessary, to discuss any current pronouncements, opinions and developments on accounting and regulatory matters, which could affect GPC;
 - vi. Review with management and the auditors, the financial statements and information contained in the reports, where considered appropriate; and
 - vii. Perform such other functions and consider such other matters deemed necessary by the Audit Committee to fulfil its responsibilities.

- The agenda and committee papers are to be delivered to the Audit Committee members at least three days in advance of each meeting. Later papers may be accepted with the approval of the Committee Chair.
- Reports and other papers of the Audit Committee are available to all directors.

6.6 Minutes

- Minutes are to be prepared for each Audit Committee meeting.
- The draft minutes for each Audit Committee are to be reviewed by the Chair and circulated to all committee members as soon as practicable but no later than five (5) days after the meeting.
- Minutes of the meeting are to be confirmed at the next meeting of the Audit Committee.
- Following review by the Chair, a copy of the minutes of the Audit Committee is to be included in the papers of the next Board meeting.

7. Access

- 7.1 The Audit Committee shall have the power to conduct or authorise investigations into any matter within its objectives or as requested by the Board.
- 7.2 The Committee shall be entitled to have unrestricted access to management, employees, records and other information it considers relevant to its function.

8. Relationships

8.1 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 GPC's internal audit function operates effectively, efficiently and economically.

- The internal auditor will have a standing invitation to attend committee meetings.
- The Chair and an independent member will hold executive sessions with internal audit at least twice per year, if required.

8.2 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 Queensland Audit Office or its authorised representatives will have a standing invitation to attend committee meetings.
- The Chair and an independent member will hold executive sessions with external audit at least twice per year, if required.

9. Independent Advice

- 9.1 The Audit Committee shall be empowered to retain independent legal advice, advisors or other professionals to assist in discharging its responsibilities.
- 9.2 GPC will pay the reasonable costs incurred by the Committee in doing so, as well as all administrative costs incurred in carrying out its duties.

10. Continuing Education

- 10.1 Committee members are encouraged to participate in professional development and keep up to date on relevant topical issues. Committee members may, at GPC's expense, undertake professional development courses that relate to role and function of the Committee member.

11. Committee Performance

- 11.1 To ensure the Audit Committee is fulfilling its duties to the Ports Corporation and its shareholding Ministers, the Audit Committee will:
 - undertake an annual assessment of its performance against the requirements of the Charter and provide that information to the Board
 - provide any information the Board may request to facilitate its review of the Committee's performance and its members
 - obtain feedback from the Board on the Committee's performance on an annual basis and implement any agreed actions.
- 11.2 These activities may be conducted in accordance with the annual Board performance review.

12. Review of Audit Committee Charter

- 12.1 The Audit Committee will review the Charter annually to ensure it remains consistent with the committee's authority, objectives and responsibilities.
- 12.2 All amendments to the charter will be discussed and approved by the Board.

13. Position Descriptions

- 13.1 **Committee Chair.** The Board shall appoint the Chair of the Committee. The Chair of the Committee shall preside over the meetings of the Committee and may call special meetings, in addition to those regularly scheduled, and shall report to the Board the actions and recommendations of the Committee.
- 13.2 **Administrative Officer assisting the Committee.** The officer assigned by the CEO to assist the Committee in administrative matters is generally responsible for carrying out the administrative requirements of the Committee. In particular:

- Ensuring that the Committee agenda is developed in a timely and effective manner for review and approval;
- Ensuring that the Committee papers are developed in a timely and effective manner;
- Coordinating, organising and attending committee meetings and ensuring that correct procedures are followed:
- Drafting and maintaining minutes of the Committee meetings; and
- Carrying out the instructions of the Committee.

14. Approval of the Charter

The GPC Audit Committee charter is endorsed by the Chair of the committee and approved by the Board on the _____ day of _____ 2009.

Name
Chair Audit Committee

Name
Chief Executive Officer