



Insurance Commission of Western Australia

AUDIT AND RISK COMMITTEE CHARTER

(Approved by the Board on 27 July 2022)

INTRODUCTION

The Audit and Risk Committee (Committee) was established by the Board of Commissioners (Board) at its 309th meeting on 11 December 2012.

This Committee was formed from a restructuring of the former Audit and Accounts Committee to embrace a wider scope and greater definition in its roles and responsibilities.

The Committee is established under Schedule 1 Clause 7(2) of the *Insurance Commission of Western Australia Act 1986*.

The purpose of the Committee Charter is to document the objectives, duties and responsibilities, and administration of the Committee.

References to the Insurance Commission are to be taken as including the RiskCover Fund.

AUTHORITY

The Board authorises the Committee to undertake its roles and responsibilities. The Committee is empowered to determine its own Charter. (Refer Schedule 1 Clause 7(2) *Insurance Commission of Western Australia Act 1986*).

The Board authorises the Committee, within the scope of its responsibilities, to:

- Obtain any information it requires from any employee or external party.
- Obtain outside legal or other independent professional advice.
- Seek the attendance of external parties with relevant experience and expertise.
- Consider any disagreements between management and the external auditor relating to financial reporting.

1. OBJECTIVES

The objectives of the Committee are to assist the Board to discharge its corporate governance responsibilities and to exercise due care, diligence and skill in respect of the monitoring and oversight of:

- 1.1 Financial management and reporting.
- 1.2 Internal and external audit processes.
- 1.3 The effectiveness of internal control and risk management systems.
- 1.4 Compliance with relevant laws, regulations, standards and appropriate best practice guidelines.

2. DUTIES AND RESPONSIBILITIES

The main duties and responsibilities of the Committee are as follows:

2.1 ACCOUNTING AND REPORTING

- 2.1.1 Review and make recommendations to the Board on the reporting of financial information, including annual budgets and forecasts.
- 2.1.2 Monitor the effectiveness of financial management.
- 2.1.3 Approve and recommend to the Board financial accounting and reporting issues, including the application of appropriate accounting policies.
- 2.1.4 Review the financial statements for compliance with accounting standards, policies, relevant Premier's Circulars, Treasurer's Instructions and other requirements relating to the preparation of financial reports.

2.2 AUDIT PROCESS

- 2.2.1 Monitor the scope of audit processes and review compliance with policies and procedures in areas of high risk or exposure to the Insurance Commission.
- 2.2.2 Oversee the coordination of the internal and external audit functions.

2.3. EXTERNAL AUDIT

- 2.3.1 Review the proposed fee structure from the Office of Auditor General.
- 2.3.2 Review the scope of work and activities of the external auditor.
- 2.3.3 Review findings and audit reports resulting from audits with the external auditor and monitor resultant action items.
- 2.3.4 Review the performance, objectivity and effectiveness of the external auditor.

2.4. INTERNAL AUDIT

- 2.4.1 Consider the engagement of, and recommend to the Board appointment of the internal auditor.
- 2.4.2 Review and recommend to the Board the scope and adequacy of internal audit plans.
- 2.4.3 Review internal audit reports on significant findings and monitor resultant action items.
- 2.4.4 Maintain oversight of actions to improve operational efficiency to ensure the adequacy of internal controls.
- 2.4.5 Review the root cause analysis contained in internal audit reports that provide insights into cultural factors that may drive control gaps/audit findings.
- 2.4.6 Review the performance, objectivity and effectiveness of the internal auditor.
- 2.4.7 Members of the Committee to meet quarterly with the internal auditor without management being present.

2.5. RISK MANAGEMENT AND INTERNAL CONTROL

- 2.5.1 Review the Insurance Commission's enterprise risk management framework for identifying, assessing, monitoring and treating/managing significant business risks and consider whether the risk management framework and internal control systems effectively identify areas of potential material risks.
- 2.5.2 Consider whether management has appropriate processes for responding to risks in a manner aligned to the Insurance Commission's risk appetite.

- 2.5.3 Consider whether material business risks, including strategic, operational, financial, legal and compliance risks are appropriately reflected in the organisation's risk register and regularly report to the Board.
- 2.5.4 Review the adequacy of the Insurance Commission's enterprise Business Continuity Plan annually and review the outcome of management's testing of the Plan.
- 2.5.5 Commission a review of the internal control systems implemented by management for the security of computer systems and applications, and the contingency plans for processing financial and other information in the event of a systems breakdown, or to protect against, or respond to, computer fraud or misuse.
- 2.5.6 Commission a review of the internal control systems implemented by management for the approval of transactions, the recording and processing of financial data, and ensuring that financial statements comply with relevant accounting standards and are subject to appropriate management review.

2.6 COMPLIANCE

- 2.6.1 Monitor the effectiveness of the Insurance Commission's systems and processes for ensuring compliance with relevant laws, regulations, Ministerial instructions and circulars, standards and internal policies.
- 2.6.2 Receive regular reporting from management about compliance matters that may have a material impact on the Insurance Commission's financial statements, strategy, or reputation, including potential breaches of laws, regulations, standards and internal policies.
- 2.6.3 Monitor the processes and framework for identifying, analysing, and addressing complaints (including whistleblowing) and review material complaints and their resolution.
- 2.6.4 Review and report to the Board any declared exceptions or items of non-compliance arising from responses to the Annual Report Questionnaire.
- 2.6.5 Review and, if appropriate, recommend to the Board any amendments proposed to the Delegations and Authorisations Manual. Note: Administrative amendments which do not alter delegated powers or limits do not require Committee or Board approval.

- 2.6.6 Review and, if appropriate, approve amendments proposed to the Financial Management Manual. Note: Administrative amendments which do not alter processes or procedures do not require Committee approval.
- 2.6.7 Review and, if appropriate, recommend to the Board any amendments proposed to the Prudential Guidelines for Investments.
- 2.6.8 Monitor compliance with the Prudential Guidelines for Investments.

2.7 FRAUD

- 2.7.1 Review whether fraud risks have been included in the Insurance Commission's risk register.
- 2.7.2 Review management's anti-fraud strategies and programs.
- 2.7.3 Enquire of management, the internal auditor, and the external auditor whether they are aware of any actual, suspected or alleged fraud affecting the Insurance Commission and how they have responded, including any changes to the internal control environment.
- 2.7.4 Obtain assurance from management that all known instances of actual, suspected or alleged fraud, have been disclosed to the Committee and where appropriate reported to the Board.

2.8. OTHER BUSINESS

- 2.8.1 Undertake other business which may be referred to the Committee by the Board.

3. ADMINISTRATION

3.1 Membership and Attendance at Meetings

- 3.1.1 The Committee will comprise a minimum of three non-executive members of the Board.
- 3.1.2 The Board shall appoint Committee Members and the Committee Chair at times convenient to the Board.
- 3.1.3 The Board will review the tenure of Committee Members from time to time.

- 3.1.4 Each member of the Committee should have skills, knowledge and experience appropriate to the Insurance Commission's business.
- 3.1.5 A quorum of the Committee is any two (2) members of the Committee.
- 3.1.6 In addition to Committee members, persons who are invited to attend any meeting of the Committee are:
- Any other Board Member
 - Chief Executive
 - Chief Finance Officer (Secretary)
 - General Manager Governance and Stakeholder Relations
- 3.1.7 The Office of the Auditor General's representative shall be invited to attend and report to the Committee as required.
- 3.1.8 A senior representative of the internal auditor will be invited to attend and report to the Committee as required, or upon request by the external or internal auditors.
- 3.1.9 The Committee may invite other Executive members or other persons to attend meetings as and when required.
- 3.1.10 Invitees may take part in discussions at the meeting but will not have voting rights.

3.2 Chair of the Audit and Risk Committee

- 3.2.1 The Chair will carry out the following responsibilities:
- Promote effective communication between the Committee and the Board, Chief Executive, other executives, senior management and the internal and external auditors.
 - Ensure Committee Meetings run smoothly, that the views of all Committee Members are heard, that adequate time is allowed for discussion of each issue, and that the agenda and meeting papers properly reflect proceedings.
- 3.2.2 The Chair will be suitably qualified. This means the Chair will:
- have current membership of an acceptable accounting or auditing body as set out in Treasurer's Instruction 1201; or
 - possess relevant experience, skills and knowledge as determined by the Board.

- 3.2.3 In the temporary absence of the Chair, the members present will select a Chair for that particular meeting.

3.3 Secretary to the Audit and Risk Committee

- 3.3.1 The Chief Finance Officer is the Committee Secretary. The Chief Finance Officer, with the approval of the Committee, is able to delegate the secretarial responsibilities of the Committee to a senior member of his/her staff.
- 3.3.2 The Secretary will assist the Chair to develop and distribute agendas, papers and minutes.
- 3.3.3 The Secretary shall be an authorised channel for communication of decisions made by the Committee to relevant parties.

3.4 Meetings of the Committee

- 3.4.1 Meetings will be held at least once a quarter.
- 3.4.2 Additional meetings may be convened as required to fulfil the Committee's responsibilities.
- 3.4.3 The Committee will also meet upon a request by the Board, any Committee Member or the Chief Executive.
- 3.4.4 The external auditor may request a meeting of the Committee if they consider it necessary.
- 3.4.5 The internal auditor may request a meeting of the Committee if they consider it necessary.
- 3.4.6 Meetings may be held in person, by telephone or by video conference, or by any combination of these media.
- 3.4.7 The Chair will facilitate the process of disclosure of any perceived, potential or actual conflicts of interest on Committee members.
- 3.4.8 As far as is possible, the meeting agenda and supporting documentation will be distributed in the week preceding the meeting date.
- 3.4.9 The Secretary, or other person nominated by the Committee Chair, will take minutes and maintain an accurate record of the proceedings of all meetings of the Committee.
- 3.4.10 To the extent possible, the minutes are to be prepared, approved by the Chair and circulated to members within seven days of the meeting.

- 3.4.11 The minutes shall be submitted at the next meeting of the Committee for confirmation by the Members and certification by the Chair.

3.5 Voting

- 3.5.1 Any matter requiring a decision will be decided by a majority of votes of Members present. Each Member present shall have one vote.
- 3.5.2 Where voting is tied, the matter will be referred to the full Board for decision.

3.6 Board Reporting

- 3.6.1 The Chair of the Committee will report to the Board after each meeting of the Committee and make appropriate recommendations.
- 3.6.2 Committee resolutions which require Board approval will be tabled at the next available meeting of the Board.
- 3.6.3 The minutes of the Committee meetings will be tabled at the next available meeting of the Board.
- 3.6.4 The Chair will ensure that the Board is aware of matters that may significantly affect the financial conditions or affairs of the Insurance Commission.

3.7 Evaluating Performance

- 3.7.1 The Committee's own performance (i.e. that of individual members and collectively) will be evaluated as part of the Board evaluation process. It is intended that internal reviews of performance are undertaken annually, and that an external review is undertaken every three years.
- 3.7.2 The Committee will assess its achievement of the responsibilities defined in this Charter and report its findings to the Board.

3.8 Confidentiality

- 3.8.1 The discussions and decisions of the meeting shall only be conveyed to persons who require this information to undertake their official duties or as required under law.

3.9 Review of Charter and Composition

- 3.9.1 The Board will review the composition of the Committee and the Audit and Risk Committee Charter from time to time.