

# Audit & Risk Committee

## 1. Establishment and membership

- 1.1. The Board has established the Audit & Risk Committee (**Committee**) under section 26 of the *Government Trading Enterprises Act [2023]* (WA) (the **Act**).
- 1.2. The Committee has adopted its own rules and procedures that are the same as those adopted by the Board from time to time (**Board Rules**), except as expressly varied by these terms of reference, and to the extent that they are not fixed under the Act.
- 1.3. In addition to the membership criteria set out in the Board Rules:
  - (a) the Committee will be comprised of directors and may also include any person who is not a director or members of staff of the corporation provided that there are not less than three non-executive directors, a majority of whom are independent directors;
  - (b) all members of the Committee will be financially literate<sup>1</sup> and at least one member will have financial proficiency<sup>2</sup>;
  - (c) the Committee Chair must be an independent non-executive director; and
  - (d) the Board Chair may not chair the Committee.
- 1.4. A meeting of the Committee cannot proceed unless the number of members of the Committee present who are directors exceeds the number of members present who are not and there must be at least two out of four member directors present.
- 1.5. A record of the current members of the Committee is maintained by the Company Secretary<sup>3</sup>.

## 2. Purpose

- 2.1. The Committee's purpose is to assist the Board in discharging its fiduciary and corporate governance responsibilities in relation to:
  - (a) the adequacy and effectiveness the corporation's enterprise risk and assurance frameworks;
  - (b) annual financial statements, including periodic financial reporting;
  - (c) the corporation's compliance with relevant laws and regulations; and
  - (d) internal and external audit functions.

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<sup>1</sup> This criterion means being able to read and understand financial statements.

<sup>2</sup> Proficiency means that the individual has current knowledge of the subject matter and that the individual has applied the skill at a senior executive or company director level in a substantive company.

<sup>3</sup> EDM 33361932.

### 3. Powers

- 3.1. Subject to any resolution of the Board, the Committee is required to make recommendations to the Board and does not have any executive powers to commit the Board or Western Power to the implementation of those recommendations.
- 3.2. Notwithstanding clause 3.1, the Committee has the authority to approve the minutes of its meetings without the endorsement of the Board.
- 3.3. The Committee has unrestricted access to records and management of the corporation, and to internal and external auditors (including without the presence of management) and is authorised to seek any information it requires from any employee, or from any other source, in order to fulfil its purposes and undertake its duties. Such information will be sought through the Chief Executive Officer (CEO), General Counsel or Internal Audit Manager.
- 3.4. The Committee may by resolution, institute special investigations and consult independent experts (at the corporation's cost) if it considers it necessary to fulfil its purposes and carry out its duties, and to make recommendations to the Board arising from such investigations. The Committee Chair must approve the financial expenditure for any such investigation or expert.
- 3.5. To support the independence of internal audit activities, the Internal Audit function will report internal audit findings to the Board. The Committee will be the Internal Audit function's reporting line to the Board.

### 4. Duties

The Committee has the following duties:

#### 4.1. Corporate governance

- (a) Make recommendations to the Board in relation to the corporate policies over which the Committee has authority as specified in Western Power's corporate document framework<sup>4</sup>.
- (b) Review internal compliance frameworks.

#### 4.2. Risk management and assurance

- (a) Review the risk management and assurance frameworks, including the processes for identifying, managing, and reporting on key risks and emerging risks including operational, financial and cyber risks.
- (b) Review the corporation's enterprise risk appetite statement.
- (c) Make recommendations to the Board in relation to changes that should be made to the corporation's risk management, assurance framework and risk appetite set by the Board.
- (d) Monitor the corporation's performance against the risk management and assurance framework including whether it is operating within the risk appetite set by the Board.
- (e) Review that key risk profiles, material changes to these profiles, trends, emerging risks, risk controls, mitigation measures and the risk management programme are managed appropriately and reported to the Board, as necessary.
- (f) Receive quarterly reports regarding regulatory and legislative compliance.
- (g) Receive reports from the Auditor General and Internal Audit on:
  - (i) the effectiveness of the internal control, compliance, and risk management systems; and

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<sup>4</sup> EDM 23219616

- (ii) any changes to material risks facing Western Power.
- (h) Review the controls in place for unusual transactions and significant risk exposures.
- (i) Review policies to ensure that conflicts of interest are managed appropriately.

#### 4.3. Annual financial reporting

- (a) Review the appropriateness of the corporation's accounting policies, principles, and practices (including their application to the annual financial statements) and make recommendations to the Board regarding any proposed changes to them.
- (b) Review Western Power's management judgments and accounting estimates impacting on the annual financial statements.
- (c) Review information from the Auditor General, Internal Audit function, and the Finance and Regulation business unit which affects the annual financial reports.
- (d) Ensure that annual financial reporting:
  - (i) complies with all legal, regulatory, and statutory requirements (including applicable accounting standards); and
  - (ii) reflects the Committee's understanding of Western Power's financial position and performance.
- (e) Review the form of opinion that the Auditor General proposes to render.
- (f) Review and make recommendations to the Board on the corporation's:
  - (i) directors' report included in its annual report; and
  - (ii) corporate governance disclosures to be published by the corporation.
- (g) Recommend to the Board whether the financial and non-financial statements or transaction should be signed based on the Committee's assessment of them.

#### 4.4. External audit

- (a) Review with the Auditor General the external audit scope, including identified risk areas, audit fees and audit results.
- (b) Consider any implications of external audit findings for the corporation.
- (c) Consider written communications between the Auditor General and the corporation relating to the external audit.

#### 4.5. Internal audit

- (a) On a bi-annual basis review the Internal Audit Charter.
- (b) Ensure that the Internal Audit function has:
  - (i) all necessary access to directors and staff of Western Power; and
  - (ii) an open line of communication with the Committee.
- (c) Review, evaluate, plan, budget and make recommendations to the Board regarding the annual Internal Audit Plan (including planning for safety, health, environment and sustainability matters that will be referred to the Safety, Health, Environment and Sustainability Committee) and monitor the progress of implementing the Plan.
- (d) Receive reports from the Internal Audit function on its review of the adequacy of the corporation's processes for managing risk.

- (e) Monitor management's response to audit findings and recommendations.
- (f) Make recommendations to the Board whether to approve decisions proposed by the CEO regarding the appointment and/or dismissal of an Internal Audit Manager.
- (g) Conduct a qualitative evaluation of tender proposals for internal audit services together with Management and make recommendations to the Board to award a vendor based on the qualitative assessment ensuring the best possible outcome for Western Power and the community.
- (h) To support the independence of internal audit activities, the Internal Audit function will report internal audit findings to the Board. The Committee will be the Internal Audit function's reporting line to the Board.

#### 4.6. Other

- (a) The Committee shall examine any other matters referred to it by the Board.

#### 4.7. Accountability to the Board

- (a) Review the Committee's terms of reference in accordance with clause 6 and report any recommended changes to the Board.
- (b) Report to the Board on its activities by way of a verbal report at Board meetings from the Committee Chair, as necessary, and the provision to the Board a copy of the minutes of each Committee meeting.
- (c) Prepare any additional reports for the Board as requested by the Board.

## 5. Meetings

- 5.1. The Committee will meet as frequently as required.
- 5.2. The Committee Chair may convene a special meeting at any time. The place and time of a special meeting will be decided by the Committee Chair.
- 5.3. The following persons who are not members of the Committee may attend Committee meetings as invitees (but will not have a vote at Committee meetings):
  - (i) Chief Executive Officer;
  - (ii) Chief Financial Officer or a nominated representative;
  - (iii) Internal Audit Manager or a nominated representative;
  - (iv) General Counsel and Company Secretary or their nominated representatives;
  - (v) Head of Governance, Risk and Compliance or a nominated representative; and
  - (vi) any other person approved by the Committee Chair.
- 5.4. The Committee may invite representatives of the Auditor General to attend.

## 6. Review

- 6.1. Unless review and amendment is required sooner, these Terms of Reference will be reviewed at least once in every three year period or as required. Committee members may at any time submit to the Committee Chair proposed changes to these Terms of Reference for consideration.
- 6.2. All amendments endorsed by the Committee Chair, must be submitted to the Committee for endorsement and subsequently to the Board for approval, prior to taking effect.

## Approval history

Version	Approved by	Approved on	Resolution no.	Notes
1.	Board	21/04/2006		
2.	Board	23/02/2007	BD/010/2007	
3.	Board	21/12/2007	BD/063/2007	
4.	Board	26/06/2009	045/2009/BD	
5.	Board	28/08/2009	076/2009/BD	
6.	Board	08/12/2009	076/2009/BD	
7.	Board	16/01/2011	088/2011/BD	
8.	Board	06/02/2012		
9.	Board	28/08/2012	016/2013/BD	
10.	Board	29/01/2013	047/2013/BD	
11.	Board	06/08/2013	013/2014/BD	
12.	Board	02/09/2014	031/2015/BD	
13.	Board	02/08/2016	014/2017/BD	Changes resulting from review.
14.	Board	04/06/2019	084/2019/BD	Changes resulting from review.
15.	Board	13/06/2023	126/2023/BD	Changes resulting from review and to reflect introduction of the <i>Government Trading Enterprises Act [2023]</i> (WA).