

# Artsource WA

## Risk, Audit and Finance Charter

24 February 2019

### Purpose

1. This Charter (Charter) sets out the role, responsibilities, structure and process of the Risk, Audit and Finance Committee of the Artists' Foundation of Western Australia Limited (Artsource).
2. The objectives of the Artsource Risk, Audit and Finance Committee are to assist the Board in fulfilling its corporate governance responsibilities in regard to financial reporting, audit and risk management, including:
  - a. the integrity of the Artsource's financial reporting;
  - b. compliance with legal and regulatory obligations;
  - c. the effectiveness of the Artsource's risk management and internal control framework; and oversight of the independence of the external and internal auditors.
3. In particular, the Committee is to undertake the functions set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition (ASX Principles) of:
  - a. an audit committee; and
  - b. a risk committee,

### Role and Responsibilities

4. The key responsibilities of the Risk, Audit and Finance Committee:
  - a. Approving Artsource's annual budget and financial statement and monitoring financial performance against forecast and prior periods.
  - b. Consider and approve Artsource's risk management plan and monitor its effectiveness.
  - c. Selecting, appointing and terminating the external auditor.
  - d. Ensuring appropriate accounting and auditing procedures are in place and followed.
  - e. Considering the social, ethical and environmental impact of Artsource's activities, setting standards and monitoring compliance with Artsource's sustainability policies and practices.

### Role and Delegation to Management

5. To fulfil its responsibilities the Committee has power delegated by the Board to review and recommend the risk, audit and financial systems and processes.
6. Any matters or transactions outside the delegations of authority must be referred to the Artsource Board or appropriate Board Committee for approval.

### Membership

7. The Committee is to consist of:

- a. only Non-Executive Directors;
  - b. at least three Board members;
  - c. a majority of independent Non-Executive Directors;
  - d. members who are all financially literate (that is, are able to read and understand financial statements); and
  - e. at least one member who has financial expertise (that is, is a qualified accountant or other financial professional with financial and accounting experience).
8. The Chair of the Committee is to be an independent Non-Executive Director and is to be appointed by the Board (but is not to be the Chair of the Board).

## **Meetings**

9. The Committee should meet at least four times a year. If required, additional Meetings may be requested through the Committee Chair by any member, the Company Secretary, internal auditor or the relevant partner from the external auditor.
10. In the absence of the Chair, one of the Committee Members, either nominated by the Chair, or elected by the Committee, will act as the Committee Chair for that meeting.
11. As required by the Artsource Constitution, a quorum for a Committee Meeting is two members.
12. Directors who are not Committee members may attend Meetings.
13. Appropriate Artsource Management, the internal auditor and representatives of the external auditor are to attend Committee Meetings, at the invitation of the Committee Chair, to provide reports and periodic presentations to the Committee.
14. The Committee will report on its Meetings to the Board.
15. Recommendations of the Committee are to be referred to the Board for approval, with the exception of:
- a. approval of the audit plans and engagement letters of the external auditor, including the payment of annual fees and variations to approved fees of greater than 10%; and
  - b. relevant internal policies and procedures (including any amendments) requiring Committee approval.

## **Access to Information, Independent Advice and Continuing Development**

16. The Committee will maintain free and open communication with Artsource Management and the external auditors. The Committee has the authority to seek any information it requires from any employee and all employees must comply with such requests.
17. The Committee may take such independent legal, financial or other advice as it considers necessary or appropriate.
18. The Committee should understand the Artsource structure and operations and key developments relevant to the Committee and may receive periodic presentations from subject matter experts to assist in achieving such an understanding.

## **Responsibilities and Duties**

19. The Committee is responsible for the review and monitoring of financial reporting, audit and risk management strategies, systems, policies and processes implemented, and reported on, by Artsource Management.
20. Members of the Committee generally do not represent themselves as experts in the fields of accounting, auditing or risk management. As such, it is not the responsibility of the Committee directly to conduct accounting, audit or risk reviews.
21. Committee members are entitled to rely on Artsource Management on matters within their responsibility and on the expertise of external professionals. Committee members may rely on the accuracy of information provided by such persons, so long as the members are not aware of any reasonable grounds upon which such reliance or assumption may not be appropriate.
22. Artsource Management is responsible for:
  - a. the preparation, presentation and integrity of the Artsource financial information and other information provided to the Committee;
  - b. implementing, managing and maintaining appropriate enterprise-wide accounting, financial reporting and risk management strategies, systems, policies and processes, reporting protocols and internal controls that are designed to ensure compliance with applicable accounting standards, laws and regulations;
  - c. reporting on the effectiveness of the Artsource's risk management and internal control framework in managing its material business risks
  - d. reporting any incident involving fraud or other breakdown of the Artsource's internal controls;
  - e. reporting on the Artsource insurance program; and
  - f. maintaining sufficient knowledge, skills and expertise within the Artsource finance function.
23. The external auditor is responsible for planning and carrying out each audit and review in accordance with applicable auditing standards. The external auditor is accountable to shareholders through the Committee.

### **Review of Financial Information**

24. The Committee will review the monthly, quarterly and annual financial statements of Artsource that should be provided to the committee and prior to consideration by the Board, to assess whether they represent a true and fair view of Artsource for reporting purposes, financial position and performance.
25. The Committee should focus on:
  - a. compliance with accounting standards (including an assessment of the appropriateness of Artsource Management's selection of accounting policies and disclosures);
  - b. significant or unusual transactions and accounting estimates;
  - c. significant changes in accounting policies and practices;
  - d. underlying earnings and major judgmental areas;
  - e. significant audit adjustments and unadjusted audit differences; and
  - f. the form of the proposed opinion to be issued by the external auditor.
26. The Committee will review the financial statements signed by the General Manager covering Recommendation 4.2 of the ASX Principles and ACNC reporting requirements.

### **Legal and Regulatory Compliance**

27. Without limiting its scope, the Committee will, in conjunction with the Board and Management, monitor the Artsource's compliance with all relevant:
  - a. statutory and regulatory obligations, including the ACNC requirements; and
  - b. internal policies and procedures.
28. The Committee will consider the effects on Artsource of any new or proposed accounting or tax practices, principles or developments, disclosure requirements and legislative or regulatory pronouncements.

### **Risk Management and Control Framework**

29. The Committee will, at least annually, after taking into account the work of the Board and Auditors report, review Artsource Management's establishment, implementation and operation (within the risk appetite set by the Board) of the risk management systems which is designed to identify, assess, monitor and manage material business risk throughout Artsource.
30. The Committee will consider the adequacy and effectiveness of the internal controls and risk management framework by reviewing reports from Management and the external auditors, and by monitoring Management responses and actions to correct any noted deficiencies.
31. In assisting the Board, the Committee is to confirm there are adequate procedures for the receipt, retention and treatment of complaints (including "whistleblowing" complaints) received by Artsource management or Board members, including procedures relating to risk management, legal and regulatory compliance, accounting, internal controls or auditing. This is to include a process for confidential anonymous complaints by employees or other stakeholders.

### **External Auditor**

32. The Committee will:
  - a. recommend to the Board the appointment, reappointment or replacement of the external auditor;
  - b. approve rotation of partners of the external auditor;
  - c. review and approve the audit plans and engagement letters of the external auditor, including payment of annual fees and variations to approved fees of greater than 10%;
  - d. review the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures;
  - e. consider the overall effectiveness and independence of the external auditor; and
  - f. resolve any disagreements between Artsource Management and the external auditor regarding financial reporting.
33. The Committee will monitor and note compliance by the external auditor with the independence requirements imposed by the Corporations Act and will receive and review the Auditor's Independence Declaration to be provided to the Directors of Artsource by the external auditor pursuant to section 307C of the Corporations Act.
34. The Committee will implement a process for approval of all audit and non-audit services provided by the external auditor (who are not to be appointed to undertake any non-audit assurance services that may impair the external auditor's judgment or independence in respect of Artsource).
35. On an annual basis, the Committee will review a report from the external auditor:
  - a. confirming that the audit firm's internal quality control and conflict procedures are in place and operating; and
  - b. describing any material issues raised by the most recent quality control, or peer review, of the audit firm and any steps taken to deal with any such issues.

36. The Committee and Artsource Management will agree the hiring policies for employees or former employees of the external auditor to comply with the Corporations Act and to prevent the impairment or perceived impairment of the external auditor's judgment to independence.
37. Prior to the annual approval of the Directors' Report, the Committee will pass a resolution to provide the Board with the written advice required by section 300(11D)(a) of the Corporations Act relating to:
  - a. whether any non-audit services provided during the year by the external auditor are compatible with the general standard of independence of auditor imposed by the Corporations Act; and
  - b. the reasons why the Board should be satisfied that any non-audit services provided during the year by the external auditor did not compromise the auditor independence requirements of the Corporations Act.

#### **Other**

38. The Committee shall examine any other matters referred to it by the Board.

#### **Committee Performance**

39. To determine whether it is functioning effectively, once each year the Committee shall:
  - a. review this Charter; and
  - b. perform an evaluation of its performance.