

Annexure H

Model Audit and Risk Committee Charter (Principal Department Led Shared Arrangement)

Audit and Risk Committees of NSW agencies are required to have a Charter that is consistent with the content of the 'model charter'. This model charter is based on the model charter in Annexure B of this Policy and is for agencies entering into a shared arrangement with a Principal Department Audit and Risk Committee. In doing so it is important that each agency consider carefully its particular circumstances, as there may be additional agency specific requirements that shall also be addressed.

The Principal Department has established an Audit and Risk Committee ('the Committee') in compliance with the *Internal Audit and Risk Management Policy for the General Government Sector*. The following Accountable Authorities have agreed that the Committee will provide oversight for these agencies through a shared arrangement.

| Agency | Accountable Authority |
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For the purposes of this charter these organisations will herein be referred to collectively as "the participating entities".

This charter sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

Objective

The objective of the Committee is to provide independent assistance to the Accountable Authorities of all participating entities by monitoring, reviewing and providing advice about the participating entities' governance processes, risk management and control frameworks, and external accountability obligations.

Authority

The Accountable Authorities of the participating entities authorise the Committee, within the scope of its role and responsibilities, to:

- obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information)
- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations)
- request the attendance of any employee, including the Accountable Authorities of the participating entities at committee meetings
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the expense of any or all of the participating entities subject to the approval of the Accountable Authorities of the relevant participating entities.

Composition and tenure

The Committee will consist of at least three (3) members, and no more than five (5) members,⁵⁸ appointed by the [Accountable Authority].

The Accountable Authority of [Principal Department] will appoint the chair and members of the Committee. The Chair is counted as one member of the Committee.

Members will be appointed for an initial period of no less than three (3) years and not exceeding five (5) years, after which they will be eligible for extension or re-appointment for a further term(s) subject to a formal review of their performance (noting that the total term on the Committee will not exceed eight (8) years).

The chair shall be appointed for one (1) term only for a period of at least three (3) years, with a maximum period of five (5) years. The term of appointment for the chair can be extended but any extension shall not cause the total term to exceed five (5) years as a chair of the Audit and Risk Committee.

Current employees of all NSW government sector agencies⁵⁹ other than State Owned Corporations cannot serve as members or chairs of an Audit and Risk Committee.

The members should collectively develop, possess and maintain a broad range of skills and experience relevant to the operations, governance and financial management of the participating entities, the environment in which the participating entities operate, and the contribution that the Committee makes to the participating entities. At least one member of the Committee shall have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

Roles and responsibilities

The Committee has no executive powers.

The Committee is directly responsible and accountable to each particular Accountable Authority for the exercise of its responsibilities pertaining to that entity. In carrying out its responsibilities, the Committee shall at all times recognise that primary responsibility for management of each participating entity rests with the Accountable Authority of that entity.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Accountable Authorities of the participating entities from time to time.

The Committee's responsibilities in regards to each participating entity in the shared arrangement are to:

Risk management

- review whether management has in place a current and appropriate risk management framework that is consistent with *AS ISO 31000:2018*
- assess and advise on the maturity of the agency's risk management framework and risk culture
- consider the adequacy and effectiveness of the internal control and risk management frameworks by reviewing reports from management, internal audit and external audit, and by monitoring management responses and actions to correct any noted deficiencies
- review the impact of the agency's risk management on its control environment and insurance arrangements

⁵⁸ Inclusive of the Chair.

⁵⁹ Government sector is defined in the *Government Sector Employment Act 2013*.

- review the agency's fraud and corruption control framework including the fraud control plan and be satisfied that the agency has appropriate processes and systems in place to capture and effectively investigate fraud related information
- seek assurance from management that emerging risks (including, but not limited to, climate risk and cyber risk) are being identified and addressed
- seek assurance from management and Internal Audit that risk management processes are operating effectively, including that relevant internal control policies and procedures are in place and that these are periodically reviewed and updated
- review whether a sound and effective approach has been followed in developing risk management plans for major projects, programs or undertakings
- review whether a sound and effective approach has been followed in establishing the agency's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically.
- review the significant risks arising from the strategic and operational activities of each agency that affect, or are likely to affect, other participating agencies in the shared arrangement and seek assurance that risk treatment measures have been developed.

External accountability

- assess the policies and procedures for management review and consideration of the financial position and performance of the agency including the frequency and nature of that review (including the approach taken to addressing variances and budget risks)
- review procedures around early close and year-end
- review the financial statements and provide advice to the [Accountable Authority] (including whether appropriate action has been taken in response to audit recommendations and adjustments) and recommend their signing by the [Accountable Authority]
- satisfy itself that the financial statements are supported by appropriate management signoff on the statements
- review the Chief Financial Officer Letter of Certification and supporting documentation (consistent with Treasury Policy Certifying the Effectiveness of Internal Controls Over Financial Information (TPP17-06))
- review cash management policies and procedures
- review policies and procedures for collection, management and disbursement of grants and tied funding.
- review the processes in place designed to ensure that financial information included in the [agency]'s annual report is consistent with the signed financial statements
- satisfy itself that the [agency] appropriately measures and reports on its performance against objectives and State Outcomes.⁶⁰

Compliance and ethics

- determine whether management has appropriately considered legal and compliance risks as part of the [agency]'s risk assessment and management arrangements
- review the effectiveness of the system for monitoring the [agency]'s compliance with applicable laws, regulations and associated government policies
- seek assurance that the appropriate exercise of delegations is monitored and reviewed
- seek assurance that changes in key laws, regulations, internal policies and Accounting Standards affecting the agency's operations are being monitored at least once a year and appropriately addressed
- review the agency's process for communicating the code of conduct to staff and seek assurance as to compliance with the code
- review policies and processes for identifying, analysing and addressing complaints
- review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

⁶⁰ This includes consideration of Outcomes Budgeting measures such as Outcome Indicators and Program Performance Measures.

Internal audit

- review and provide advice to the [Accountable Authority] on the internal audit policies and procedures
- review the risk based audit methodology
- review the internal audit coverage and annual work plan, ensure the plan is based on the [agency]'s risk management plan and recommend approval of the plan by the [Accountable Authority]
- advise the [Accountable Authority] on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan
- review audit findings and related recommendations, particularly those that have been assessed as a high risk if audit finding recommendations are not implemented
- provide advice to the [Accountable Authority] on significant issues identified in audit reports and action taken on these issues, including identification and dissemination of good practice
- monitor management's implementation of internal audit recommendations
- review and endorsing the internal audit charter including ensuring the appropriate agency structures, authority, access to senior management and reporting arrangements are in place
- provide advice to the [Accountable Authority] on the results of any external assessments of the internal audit function
- provide advice to the [Accountable Authority] on the appointment or replacement of the Chief Audit Executive and recommend to the [Accountable Authority] the appointment or replacement of external internal audit service providers [in the case of an outsourced or co-sourced internal audit function]
- assess the overall effectiveness and evaluate the performance of the Chief Audit Executive and internal audit function
- Committee Chair to contribute to the Chief Audit Executive's regular performance review.

External audit

- act as a forum for communication between the [agency], senior management and internal and external audit
- provide feedback on the financial audit coverage proposed by external audit and is informed of planned performance audit scope prior to their commencement
- review all external plans and reports (including management letters) in respect of planned or completed audits and monitor management's implementation of audit recommendations.

Responsibilities of members

Members of the Committee are expected to understand and observe the requirements of the Internal Audit and Risk Management Policy. Members are also expected to:

- make themselves available as required to attend and participate in meetings
- ensure they have the time and capacity to sufficiently cover all agencies in the shared Audit and Risk Committee including the time needed to study and understand the papers provided
- apply good analytical skills, objectivity and good judgement
- abide by the relevant ethical codes that apply to employment within the General Government Sector
- express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

Reporting

The Committee will regularly, but at least once a year, report to the [Accountable Authority] on its operation and activities during the year. The report should include:

- an overall assessment of the agency's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the agency
- a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year

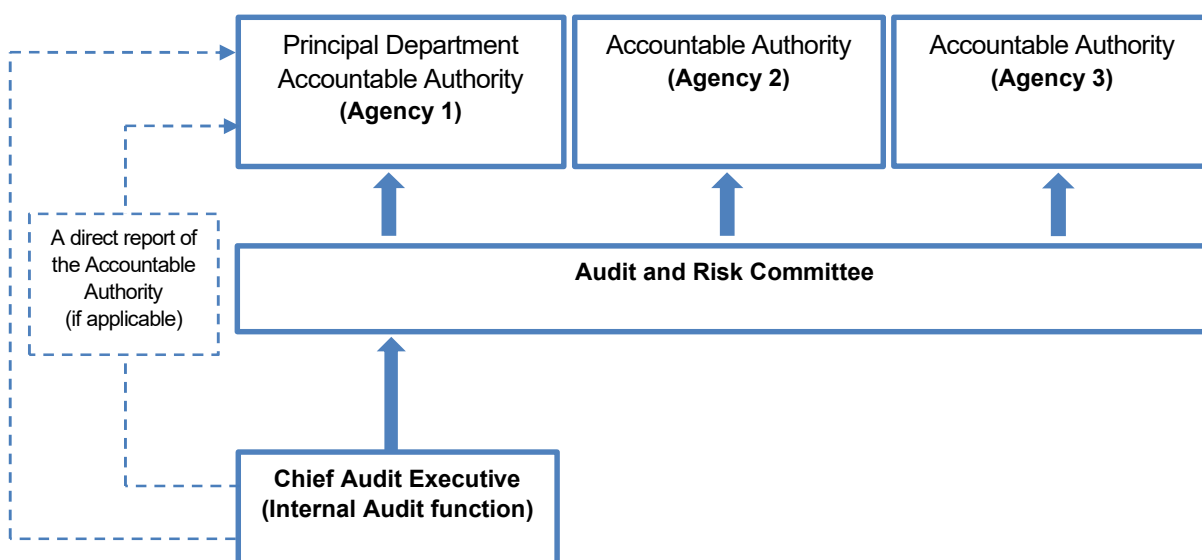
- details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended
- a summary of the agency’s progress in addressing the findings and recommendations made in internal and external reports
- a summary of the Committee’s assessment of the performance of internal audit.

The Committee may, at any time, report to the [Accountable Authority] any other matter it deems of sufficient importance to do so. In addition, at any time an individual committee member may request a meeting with the [Accountable Authority].

Reporting Lines

The Committee shall at all times ensure it maintains a direct reporting line to and from internal audit and act as a mechanism for internal audit to report to the [Accountable Authority] on functional matters.

The following reporting line is prescribed where the dotted line represents the ‘administrative’ reporting line and the bold line represents the ‘functional’ reporting line:



Administrative arrangements

Meetings

The Committee will meet at least four (4) times per year. A special meeting may be held to review each participating entity’s annual financial statements.

The Chair is required to call a meeting if requested to do so by any participating entity’s Accountable Authority, or another Committee member.

A meeting plan, including the meeting dates and agenda items, will be agreed by the Committee and all agencies overseen by the Committee at the beginning of each financial year. The estimated total remuneration per Independent Chair and Member will be determined based on the estimated number of meetings and monitored by the Principal Department. The meeting plan will cover all of the Committee’s responsibilities as detailed in this charter.

All attendees are responsible and accountable for maintaining the confidentiality of the information they receive during the course of these meetings.

Attendance at meetings and quorums

A quorum will consist of a majority of Committee members. A quorum shall consist of at least two (2) independent members.

Meetings can be held in person, by telephone or by video conference.

The Accountable Authority of each participating entity may attend the meetings of the Audit and Risk Committee relevant to their agency. Committee members, if necessary, are able to have in-camera discussions. Each participating agency's Chief Audit Executive, Chief Risk Officer (as relevant), external audit representatives and any other agency representatives may attend Committee meetings relevant to their agency, except where the Committee members wish to have in-camera discussions. The Committee may also request the Chief Financial Officer and/or other representatives of participating agencies, and/or the Principal Department, to attend relevant committee meetings or participate for certain agenda items.

The Committee will meet separately with both the internal and external auditors of each participating entity at least once a year.

Dispute Resolution

Members of the Committee and each participating entity's management should maintain an effective working relationship and seek to resolve differences by way of open negotiation. However, in the event of a disagreement between the Committee and management, including the Accountable Authorities of participating entities, the Chair may, as a last resort, refer the matter to Treasury to be dealt with independently.

Secretariat

The Principal Department is responsible for appointing a person or persons to act as the Secretariat, and this will be outlined in a Shared Arrangement Agreement. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, after approval from the Chair, at least one (1) week before the meeting, and ensure the minutes of the meetings are prepared and maintained. Minutes shall be approved by the Chair and circulated within [agreed time frame] of the meeting to each member and committee observers, as appropriate.

Conflicts of interest

Once a year the Committee members will provide written declarations to the Principal Department's Accountable Authority stating they do not have any conflicts of interest that would preclude them from being members of the Committee.

Committee members shall declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

Where members or observers at committee meetings are deemed to have an actual, or perceived, conflict of interest, the Chair (or a quorum of the Committee if the conflict of interest arises from the Chair) may excuse them from Committee deliberations on the issue where a conflict of interest exists.

Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

Assessment arrangements

The Principal Department is responsible for reviewing the performance of the Committee including the performance of the Chair and each member, at least annually. The review will be conducted on a self-assessment basis (unless otherwise determined by the Principal Department’s Accountable Authority) with appropriate input sought from the participating entities’ Accountable Authorities, internal and external auditors, CROs (as relevant), management and any other relevant stakeholders, as determined by the Principal Department’s Accountable Authority.

Arrangements for review of performance should be documented in the Shared Arrangement Agreement.

Review of charter

At least once a year the Committee will review this Charter. This review will include consultation with the Accountable Authorities of the participating entities in the shared arrangement.

Any substantive changes to this Charter will be recommended by the Committee and formally approved by each participating entity’s Accountable Authority.

Reviewed by chair of Audit and Risk Committee (Sign and Date)

Reviewed by Accountable Authority or in accordance with a resolution of the Governing Board of the Statutory Body

Principal Department (Sign and Date)

Entity A (Sign and Date)

Entity B (Sign and Date)

Entity C (Sign and Date)
