

Fact Sheet

Audit and Risk Committee Prequalification Scheme

September 2024

The Audit and Risk Committee Prequalification (ARC) Scheme was established in 2009 as a requirement of TPP20-08 *Internal Audit and Risk Management Policy for the General Government Sector*.

Under TPP 20-08, agencies must maintain organisational arrangements that provide additional assurance, independent from operational management, on internal audit and risk management called 'Audit and Risk Committees' (ARCs).

This fact sheet provides an overview of key requirements. You should read TPP20-08 and the Scheme Conditions for a complete understanding of requirements relating to ARCs.

ARC member and chair selection process

In scope GSF agencies must appoint independent chairs and members to ARCs from individuals on the 'ARC Pool' of the ARC Scheme. The ARC Pool consists of highly skilled non-Government affiliated individuals with extensive experience across a range of policy areas.

Each individual has applied for the Scheme by providing their resume and completing questions explaining their professional experience. Applications are reviewed by the ARC Scheme Secretariat for completeness and forwarded to a panel of independent assessors, for their consideration against the criteria in Clause 8.1 of the *Scheme Conditions*. Once an applicant has been successful their details will be added to the Cabinet Office's Board appointments system, GOView.

Engagement process – Expression of Interest (EOI)

Agencies seeking to engage ARC members need to provide an EOI to the ARC Scheme Secretariat (auditriskmembers@treasury.nsw.gov.au). The EOI should contain the following details:

- Position (member or chair), engagement date and term, required skill sets, contact details for the agency, and EOI deadline.

The ARC Scheme Secretariat will email the EOI to all ARC_Pool individuals to let them know of opportunities. Interested ARC Pool members need to apply directly to the agency.

Note: The process is not mandatory yet, but recommended for best practise, transparency and accountability.

Appointment process

There is no mandated appointment process, Agencies are only required to select an individual on the 'ARC Pool' of the ARC Scheme. An ARC member or chair is appointed by the Accountable Authority of the GSF agency.

The Accountable Authority must satisfy themselves that the appointment is compliant with TPP20-08 and that there are no conflicts of interest arising. Agencies must also ensure that the skill set of the selected individual complements their ARC.

NSW Cabinet does not approve engagements to ARCs.

Terms of engagement

The engaging agency and the panel member will need to enter into a separate written agreement for each engagement. A template engagement agreement is set out as Schedule 1 of the [Scheme Conditions](#) and is mandatory.

The initial term of an individual member must be at least three and no more than five years. Members can be reappointed, but the total length of unbroken service must not exceed eight years (inclusive of any period serving as chair).

Chairs can be appointed for only one term of between three and five years. The appointment of a chair can be extended, but the term cannot exceed five years.

Record keeping

Agencies are required to provide the following details to the ARC Scheme Secretariat (via email: auditriskmembers@treasury.nsw.gov.au) when engaging new ARC members or when ARC members engagement details change:

- name and role (member or chair)
- engagement dates (start and end date)

This information will be added and maintained in GOView.

Other requirements

Prequalified individuals are not allowed to sit on more than five ARCs (shared ARCs count as a single ARC) simultaneously. It is the responsibility of both the individual and the Accountable Authority to ensure this limit is not exceeded.

Remuneration

Rates are set in Clause 6 of the [Scheme Conditions](#). The 'day rate' for ARC members covers both preparation and meeting time. A 'day' is defined as a minimum of three hours but is typically the equivalent of a normal business day. ARC members must be paid superannuation and cannot be paid for meetings they don't attend.

The estimate of annual ARC fees required under the [Scheme Conditions](#) is not a commitment to pay that amount to the ARC chair and members.

Performance

It is the responsibility of the Accountable Authority, in consultation with the ARC Chair, to establish a mechanism to review and report on the performance of ARCs annually.

ARC Chair and Member performance monitoring and reporting shall be conducted in accordance with the following principles:

- mutual objective to improve performance;
- open, proactive and objective performance monitoring and periodic formal reporting
- performance issues being promptly addressed and discussed openly with the ARC Member

Further advice and assistance

For information or advice, you can contact the scheme owner, NSW Treasury, by emailing auditriskmembers@treasury.nsw.gov.au and we will do our best to respond to you within 2 business days.