

## Annexure B

### Model Audit and Risk Committee Charter

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Audit and Risk Committees of NSW agencies are required to have a Charter that is consistent with the content of the 'model charter'. The Accountable Authority and the Audit and Risk Committee are therefore required to review their existing charters against this model. Agencies should consider carefully their particular circumstances, as there may be additional agency specific requirements that shall also be addressed.

The [Accountable Authority] has established the Audit and Risk Committee ('the Committee') in compliance with the *Internal Audit and Risk Management Policy for the General Government Sector*.

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 Authority] by monitoring, reviewing and providing advice about the [agency]'s governance processes, risk management and control frameworks and its external accountability obligations.

#### Authority

The [Accountable Authority] authorises 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 Authority], at committee meetings
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities. The payment of costs for that advice by the agency is subject to the prior approval of the Accountable Authority.

#### Composition and tenure

The Committee will consist of at least three (3) members, and no more than five (5) members,<sup>47</sup> appointed by the [Accountable Authority].

The [Accountable Authority] 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 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

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<sup>47</sup> Inclusive of the Chair.

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 agencies<sup>48</sup> 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 [agency], the environment in which the [agency] operates and the contribution that the Committee makes to the [agency]. 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 the [Accountable Authority] for the exercise of its responsibilities. In carrying out its responsibilities, the Committee shall at all times recognise that primary responsibility for management of the [agency] rests with the [Accountable Authority].

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the [Accountable Authority] from time to time.

The Committee's responsibilities 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
- 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.

### **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]

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<sup>48</sup> Government sector is defined in the *Government Sector Employment Act 2013*.

- 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.<sup>49</sup>

### 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.

### 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 endorse 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.

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<sup>49</sup> This includes consideration of Outcomes Budgeting measures such as Outcome Indicators and Program Performance Measures.

### 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 be 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
- contribute 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:



\*Note: Internal audit is responsible for providing assurance to the Accountable Authority and the Audit and Risk Committee on the effectiveness of the risk management framework. However, all agencies are encouraged to nominate a CRO who is responsible for the oversight and promotion of risk management within the agency, designing the agency's risk management framework and for the day-to-day activities of embedding the framework in the agency. The CRO or risk management function should report to either the Accountable Authority or a direct report to the Accountable Authority, such as a member of the executive with responsibility for governance or planning, so that independence of risk management from line management is maintained.

## Administrative arrangements

### Meetings

The Committee will meet at least four (4) times per year. A special meeting may be held to review the [agency]'s annual financial statements.

The chair is required to call a meeting if requested to do so by the [Accountable Authority], or another Committee member.

A meeting plan, including the meeting dates and agenda items, will be agreed by the Committee and [agency] 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 agency. The meeting plan will cover all of the Committee's responsibilities as detailed in this charter.

### Attendance at meetings and quorums

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

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

The Accountable Authority may attend the meetings of the Audit and Risk Committee. Committee members, if necessary, are able to have in-camera discussions. The Chief Audit Executive, CRO (as relevant), external audit representatives and any other agency representatives may attend Committee meetings, except where the Committee members wish to have in-camera discussions. The Committee may also request the Chief Financial Officer or other employees attend committee meetings or participate for certain agenda items.

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

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

**Dispute Resolution**

Members of the Committee and the [agency]’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 Authority], the chair may, as a last resort, refer the matter to Treasury to be dealt with independently.

**Secretariat**

The [Accountable Authority] will appoint a person to provide secretariat support to the Committee. 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 [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 [Accountable Authority], in consultation with the chair of the Committee, will establish a mechanism to review and report on 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 [Accountable Authority]) with appropriate input sought from the [Accountable Authority], the internal and external auditors, the Chief Risk Officer (as relevant), management and any other relevant stakeholders, as determined by the [Accountable Authority].

**Review of charter**

At least once a year the Committee will review this Charter. This review will include consultation with the [Accountable Authority].

Any substantive changes to this Charter will be recommended by the Committee and formally approved by the [Accountable Authority].

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

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Reviewed by [Accountable Authority] or in accordance with a resolution of the Governing Board of the  
Statutory Body (Sign and Date)

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