

Audit and Risk Committee Charter (ARC Charter)

(Principal Department Led Shared
Arrangement)

2024

Acknowledgement of Country

NSW Department of Communities and Justice acknowledges the Traditional Custodians of the lands where we work and live. We celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of NSW.

We pay our respects to Elders past, present and emerging and acknowledge the Aboriginal and Torres Strait Islander people that contributed to the development of this Internal Audit Charter.

Audit and Risk Committee Charter¹

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¹ 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 DCJ ARC Charter contains administrative arrangements specific to the agency requirements.

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1 Introduction

The Principal Department, Department of Communities and Justice has established the 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
Department of Communities and Justice	Secretary Department of Communities and Justice
Crown Solicitor's Office	Crown Solicitor Crown Solicitor's Office
Legal Profession Admission Board	Executive Officer on behalf of the Board Legal Profession Admission Board
Office of the Ageing and Disability Commissioner	Commissioner Office of the Ageing and Disability Commissioner

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

The ARC Charter sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

2 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 its external accountability obligations.

3 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, 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 Authorities of the relevant participating entities. .

4 Composition and tenure

The Committee will consist of at least three (3), and no more than five (5) independent members², appointed by the Secretary of the Principal Department.

The Accountable Authority of the 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) year as a Chair of the Audit and Risk Committee.

Current employees of all NSW government sector agencies³ 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.

5 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 from time to time.

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

5.1 Risk management

- review whether management has in place a current and appropriate risk management framework that is consistent with *AS/NZS 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

² Inclusive of the Chair.

³ 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 undertaking(s)
- 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 participating entity that affect, or are likely to affect, other participating agencies in the shared arrangement and seek assurance that these risks have been communicated to the participating entities in the shared arrangement and risk treatment measures have been developed.

5.2 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 (TPP 17-06 and subsequently with TPG24-08 [comes into effect 1 July 2025]))
- 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 Outcomes⁴.

⁴ This includes consideration of Outcomes Budgeting measures such as Outcome Indicators and Program Performance Measures.

5.3 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.

5.4 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 the Quality Assurance Improvement Program (QAIP) including 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.

5.5 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.

6 Responsibility 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:

- adhere to Code of Conduct Audit and Risk Committee Chairs and Members
- 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.

7 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.

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



8 Administrative Arrangements

8.1 Meetings

Frequency

- 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.

Additional meeting

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

Meeting schedule

- 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 meeting plan will cover all of the Committee's responsibilities as detailed in this ARC Charter.
- The schedule will be made available on the DCJ Intranet.

Remuneration

- 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.

8.2 Attendance at meetings, quorum and support

Quorum

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

Attendance

- All Committee members are expected to attend each meeting in person or can attend remotely (to be confirmed ahead of each meeting).
- 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) or their delegate, external audit representatives, internal 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.
- A consolidated list of all participants (members, attendees and observers) will be provided to the Chair before each meeting.

Note: All attendees and observers will adhere to the applicable code of conduct - Code of Ethics and Conduct for NSW Government Sector Employees; DCJ Code of Conduct.

Templates and Approval of Papers

- Presenters must use the communications templates available on the DCJ Intranet for submission to the Audit and Risk Committee.
- All content submitted to the Audit and Risk Committee must adhere to the requirements of the DCJ Accessible Communications policy.
- All papers require requisite delegate approval prior before submitting to the ARC Secretariat.
- All papers must be submitted by the management to the ARC Secretariat **eight working days** prior to the meeting.

Note: Where the business is unable to meet the stipulated timeframe for supplying the papers must inform the ARC Secretariat at least two days in advance before the due date.

Access to meeting papers

- Papers are published one week in advance by the Secretariat:
 - via an online portal to the independent chair and members and attendees
 - via email (auditriskcommittee@dcj.nsw.gov.au) as a portable document format (pdf) to the approved attendees with a sensitivity classification 'OFFICIAL Sensitive – NSW Government'.

Note: Online portal and record keeping system administrative support staff of the Governance, Risk, Audit and Compliance Branch will have access to the papers through appropriate authorisation by the chief audit executive in consultation with the Chair of the Audit and Risk Committee.

- All meeting participants (members, attendees, secretariat, administrative support staff) are responsible and accountable for maintaining the confidentiality of the information they receive during the course of these meetings.
- Approved attendees unable to attend a meeting will need to seek chief audit executive approval via the ARC Secretariat with business reasons for the release of relevant document/s only.

Transcript

- A transcript of the Audit and Risk Committee meeting is recorded to assist validate the accuracy of the minutes of the meeting. An approved legal disclaimer will be included in the meeting invitation.
- Recorded transcripts will be stored and destroyed in conformance with the State Records Act and DCJ's Information Management Policies and Procedures.
- Access to the transcript will be restricted to the ARC Secretariat, chief audit executive and approved administrative support personnel only.

Note: An approved legal disclaimer must be included in the meeting invite for participant's consideration of attendance noting the recording of the transcripts.

Administrative Support

- The Committee will have access to appropriate administrative support to enable it to discharge its responsibilities effectively.

8.3 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.

8.4 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 two (2) weeks of the meeting to each member and committee observers, as appropriate.
- The Secretariat will seek the Chair's approval to distribute papers to non-members or observers.

8.5 Conflicts of Interest

- Once a year the Committee members shall 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 captured in the meeting minutes.

Where members, attendees 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.

8.6 Induction

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

8.7 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, the 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.

8.8 Review of Charter

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

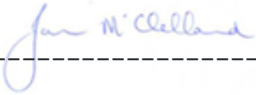
Any substantive changes to this Charter will be recommended by the Committee and formally approved by each participating entity's Accountable Authority.

9 Approval

Reviewed by Chair of Audit and Risk Committee

(Sign and Date)

6 September 2024



Reviewed by Principal Department

Department of Communities and Justice

(Sign and Date)



1 October 2024

Crown Solicitor's Office

(Sign and Date)



25 October 2024

Legal Profession Admission Board

(Sign and Date)



Jerry Riznyczok, Executive Officer 11 October 2024.

Office of the Ageing and Disability Commissioner

(Sign and Date)



1/10/24

Document information

Owner and Approver

Role	Date
Secretary	1 October 2024

Reviewers

Role	Name	Review Date
Audit and Risk Committee	All members	6 September 2024
A/Chief audit executive	Lakshmi Satyanarayana	30 August 2024
DCJ ARC Secretariat	Sandra Langridge	29 August 2024

Version history

Version	Date	Comments
1.0	October 2019	Original
2.0	September 2020	Annual Review
3.0	September 2021	Annual Review
4.0	September 2022	Annual Review
5.0	September 2023	Annual Review
6.0	September 2024	Annual Review

Table 1: Document version history

Key references

- [TPP20-08 Internal Audit and Risk Management Policy for the General Government Sector](#) [December 2020]
- [Code of Conduct Audit and Risk Committee Chairs and Members](#) [April 2023]
- The Code of Ethics and Conduct for NSW government sector employees – latest as available on the [Public Service Commission](#) website.
- DCJ Code of Ethical Conduct – latest as available on the [DCJ Intranet](#).
