

# Audit and Risk Committee Charter

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

## 1 Objective

The objective of the Audit and Risk Committee (Committee) is to provide independent advice to the Chief Executive Officer (CEO) by monitoring, reviewing, and providing advice about IPART's governance processes, risk management and control frameworks, and its external accountability obligations.

## 2 Authority

The Accountable Authority for IPART is the Chairperson of the Tribunal. The Accountable Authority's functions under the *Government Sector Finance Act 2018*, which include those relating to the Internal Audit and Risk Management Policy for the General Government Sector (TPP20-08) have been delegated to the CEO (refer to [Chair delegation GSF Act accountable authority functions](#) as at 1 November 2021 (D21/11002)).

The Chief Executive officer has established the Audit and Risk Committee in compliance with TPP20-08.

The CEO 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 obligations 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 CEO at Committee meetings
- obtain external legal or other professional advice, as considered necessary to meet its responsibility. The incurrence of costs for that advice by the agency is subject to the prior approval of the CEO.

## 3 Composition and tenure

The Committee will consist of at least three (3) members and no more than five (5) independent members, including the Chair, all appointed by the CEO.

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 a member may serve 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 a person who has been appointed as Chair may be extended for up to further three (3) years but only as a member. Current employees of all NSW Government sector agencies other than State Owned Corporations cannot serve as members or chairs of the 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 IPART, the environment in which IPART operates and the contribution that the Committee makes to IPART. 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.

IPART maintains the ARC Qualifications, Skills and Experience Matrix (D22/4059) (Skills Matrix) which gathers details on the existing nature of ARC composition and complementary skills of the Committee. This Skills Matrix is used to support IPART's decision-making on succession planning and member selection and appointment.

## 4 Roles and Responsibilities

The Committee has no executive powers.

The Committee is directly responsible and accountable to the CEO for the exercise of its responsibilities. In carrying out its responsibilities, the Committee shall at all times recognise that primary responsibility for management of IPART rests with the CEO.

The responsibilities may be revised or expanded in consultation with, or as requested by, the CEO from time to time.

The Committee responsibilities are:

### 4.1 Risk Management

- Review whether management has in place a current and appropriate risk management framework that is consistent with AS ISO 31000:2018 - Risk management – Guidelines.
- Assess and advise on the maturity of IPART'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 IPART'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 IPART's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically.

## 4.2 External Accountability

- Assess the policies and procedures for management review and consideration of the financial position and performance of IPART 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 CEO (including whether appropriate action has been taken in response to audit recommendations and adjustments) and recommend their signing by the CEO
- 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 CFO Certification on the Internal Control Framework over Financial Systems and Information Policy (TPG24-08)).
- Review cash management policies and procedures (should these become relevant for IPART)
- 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 IPART's annual report is consistent with the signed financial statements
- Satisfy itself that IPART appropriately measures and reports on its performance against objectives and State Outcomes<sup>a</sup>.

## 4.3 Compliance and Ethics

- Determine whether management has appropriately considered legal and compliance risks as part of IPART's risk assessment and management arrangements
- Review the effectiveness of the system for monitoring IPART's compliance with applicable laws and regulations, and associated government policies
- Seek assurance that the appropriate exercise of delegations is monitored and reviewed

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

- 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.

#### 4.4 Internal Audit

- Review and provide advice to the CEO 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 IPART's risk management plan, and recommend approval of the plan by the CEO
- Advise the CEO 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 CEO 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 CEO on the results of any external assessments of the internal audit function
- Provide advice to the CEO on the appointment or replacement of the Chief Audit Executive (CAE) and recommend to the CEO 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 CAE and the internal audit function
- Committee Chair to contribute to the CAE's regular performance review.

#### 4.5 External Audit

- Act as a forum for communication between IPART, 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.

## 5 Responsibilities of Members

Members of the Committee are expected to understand and observe the requirements of TPP20-08. 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.

## 6 Reporting

The Committee will regularly, but at least once a year, report to the CEO and Tribunal (ARC Chair to attend and present to Tribunal) on its operation and activities during the year. The report should include:

- an overall assessment of IPART's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting IPART
- 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 IPART'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.

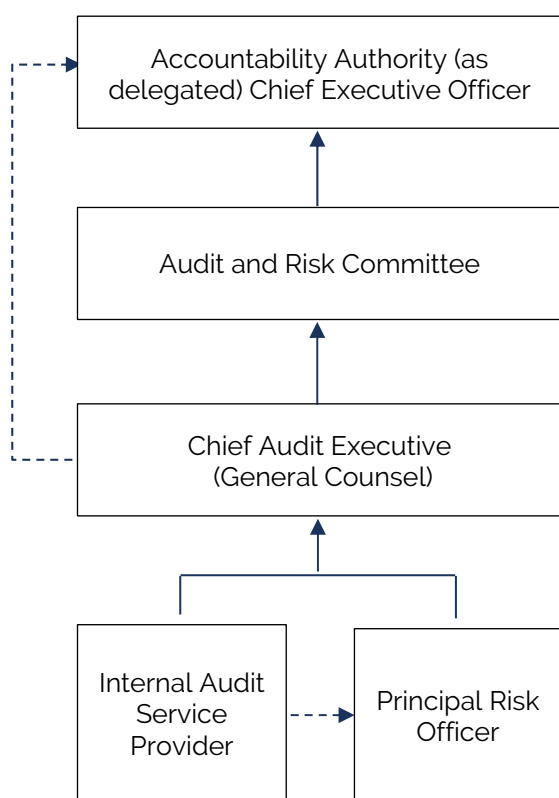
The Committee may, at any time, report to the CEO any other matter it deems of sufficient importance to do so. In addition, at any time an individual committee member may request a meeting with the CEO.

## 7 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 CEO on functional matters. The following reporting line is prescribed where the dotted line represents the administrative reporting line and the solid line represents the audit and risk functional reporting line (see **Figure 1** – IPART Reporting Line).

The Internal Audit team, consisting of the Internal Audit Service Provider and Principal Risk Officer reporting to the Chief Audit Executive, present internal audit findings and recommendations to the Audit and Risk Committee, and have opportunity to meet directly with the Audit and Risk Committee, at least once per year.

Figure 1 IPART Internal Audit and Risk Reporting Line



## 8 Administrative Arrangements

### 8.1 Meetings

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

The Committee Chair is required to call a meeting if requested to do so by the CEO or another Committee member.

A Meeting Plan including meeting dates and agenda items, will be agreed by the Committee and IPART at the beginning of each 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.

Where practicable, the CEO will attend the meetings of the Committee.

## 8.2 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. The Chair must be present for a quorum unless the Chair has agreed otherwise and nominated an acting Chair.

Meetings can be held in person, by telephone or by videoconference.

The CEO may attend the meetings of the Committee. Committee members are able to have in-camera discussions as they deem appropriate. The CAE, Principal Risk Officer (PRO), 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 that the Chief Financial Officer (CFO) 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.

## 8.3 Dispute Resolution

Members of the Committee and IPART'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 CEO, the Chair may, as a last resort, refer the matter to Treasury to be dealt with independently.

## 8.4 Secretariat

The CEO will appoint a person to provide secretariat support to the Committee. The Secretariat will ensure the agenda for each meeting is approved by the Chair, and supporting papers are circulated, after approval from the CAE, at least one (1) week before the meeting. Minutes of meetings should also be 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.

## 8.5 Conflicts of Interest

Once a year the Committee Chair and Members will provide written declarations to the CEO 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 recorded within the meeting minutes.

Where members or observers at Committee meetings are deemed to have a real, 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 the Committee deliberations on the issue where a conflict of interest or potential for perceived conflict of interest exists.

## 8.6 Induction

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

## 8.7 Assessment Arrangements

The CEO, 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 CEO) with appropriate input sought from the CEO, the internal and external auditors, the PRO, management and any other relevant stakeholders, as determined by the CEO.

# 9 Document Management

<b>Title</b>	Audit and Risk Committee Charter
<b>Author</b>	Principal Risk Officer
<b>Owner</b>	General Counsel / Chief Audit Executive
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