Ombudsman
New South Wales

Audit and Risk Committee Charter

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1. Preface

The NSW Ombudsman (Ombudsman) 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.

2. Objective

The objective of the Committee is to provide independent assistance to the Ombudsman by monitoring, reviewing and providing advice about the Office's governance processes, risk management and control frameworks and its external accountability obligations.

3. Mandate & Authority

The Ombudsman authorises the Committee, within the scope of its role and responsibilities in this Charter, 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 internal auditor, external auditor, or other external parties (subject to confidentiality considerations)
- request the attendance of any employee, including the Ombudsman, 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 Office is subject to the prior approval of the Ombudsman.

4. Composition and tenure

The Committee will consist of at least three (3) members, and no more than five (5) members, appointed by the Ombudsman.

The Ombudsman 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 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 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 Office, the environment in which the Office operates and the contribution that the Committee makes to the Office. 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 the Ombudsman 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 Office rests with the Ombudsman.

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

The Committee's responsibilities are to:

5.1 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 Office'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 Office's risk management on its control environment and insurance arrangements
- review the Office's fraud and corruption control framework including the fraud control plan and be satisfied that the Office 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 Office's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically.

5.2 External accountability

- assess the policies and procedures for management review and consideration of the financial position and performance of the Office 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 Ombudsman (including whether appropriate action has been taken in response to audit recommendations and adjustments) and recommend their signing by the Ombudsman
- 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 CFO Certification on the Internal Control Framework Over Financial Systems and Information (TPG24-08))
- 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 Office's annual report is consistent with the signed financial statements
- satisfy itself that the Office appropriately measures and reports on its performance against objectives and State Outcomes.

5.3 Compliance and ethics

- determine whether management has appropriately considered legal and compliance risks as part of the Office's risk assessment and management arrangements
- review the effectiveness of the system for monitoring the Office'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 Office's operations are being monitored at least once a year, and appropriately addressed
- review the Office'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

- endorse the internal audit mandate and charter including independence arrangements
- review and provide advice to the Ombudsman on the internal audit policies and procedures
- endorse a new or renewal of a service provider in the event of a co-sourced or outsourced arrangement
- review the risk based audit methodology
- review the internal audit coverage and annual work plan, ensure the plan is based on the Office's risk management plan, and recommend approval of the plan by the Ombudsman
- advise the Ombudsman 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 Ombudsman 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 organisational structures, authority, access to senior management and reporting arrangements are in place
- advise the Ombudsman in relation to the appointment of the External Quality Assessment assessor, with direct receipt of the final report by the Committee Chair

- provide advice to the Ombudsman on the results of any external assessments of the internal audit function
- provide advice to the Ombudsman on the appointment or replacement of the Chief Audit Executive and recommend to the Ombudsman the appointment or replacement of external internal audit service providers
- periodic review of the role description of the Chief Audit Executive to ensure that the competencies allocated to the role remain fit for purpose
- assess the overall effectiveness and evaluate the performance of the Chief Audit Executive and internal audit function
- review the performance of the internal audit function (separate to evaluation of the performance of the Chief Audit Executive
- 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 Office, 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. 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 including the Ombudsman Code of Conduct and Ethics
- 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 Ombudsman on its operation and activities during the year. The report should include:

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

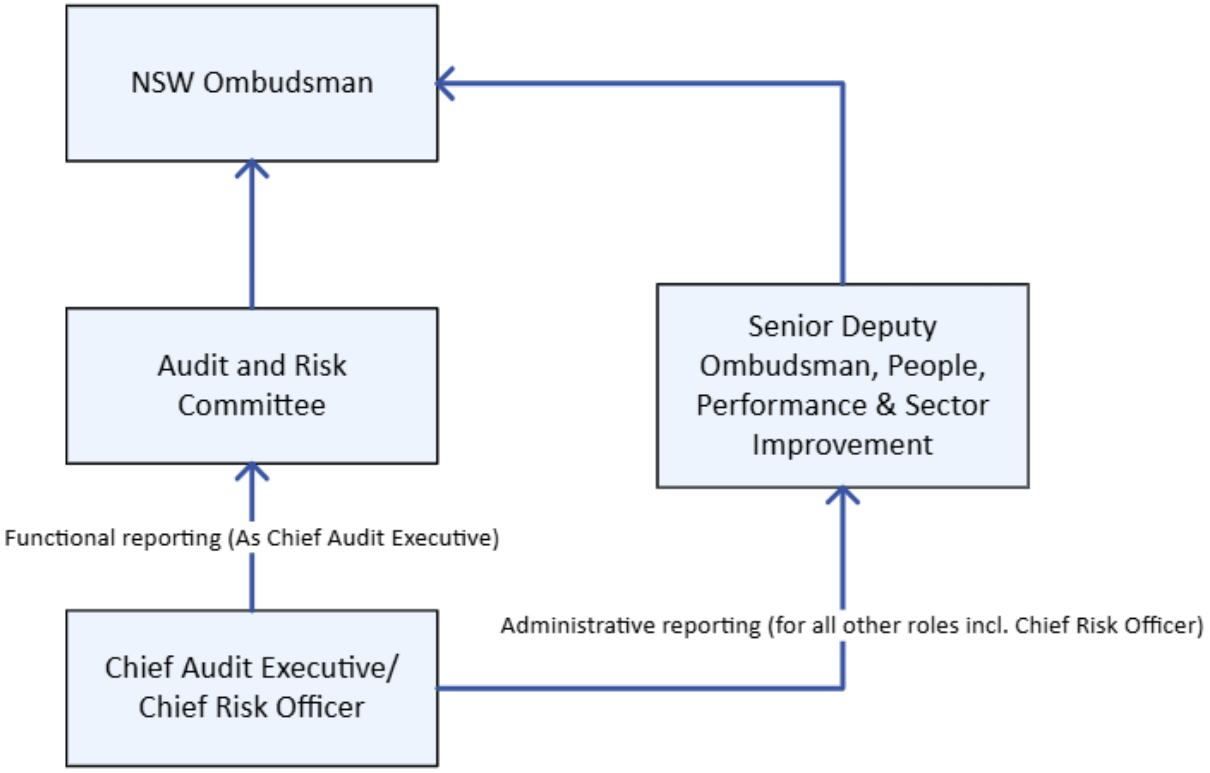
- a summary of the Office's progress in addressing the findings and recommendations made in internal and external reports
- a summary of the Committee's assessment of the performance of internal audit.

The Committee may, at any time, report to the Ombudsman on 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 Ombudsman.

8. 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 Ombudsman 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 Ombudsman and the Audit and Risk Committee on the effectiveness of the risk management framework. The Chief Risk Officer (CRO) is responsible for the oversight and promotion of risk management within the Office, designing the Office's risk management framework and for the day-to-day activities of embedding the framework in the Office. The CRO reports to the Senior Deputy Ombudsman, People, Performance & Sector Improvement, so that independence of risk management from line management is maintained.

9. Administrative arrangements

9.1 Meetings

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

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

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

9.2 Attendance at meetings and quorums

A quorum will consist of a majority of Committee members. A quorum shall include at least the chair and one (1) independent member.

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

The Ombudsman 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 (and by extension, the Chief Risk Officer), external audit representatives and any other Office 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 in private (in closed session) without management present:

- The Ombudsman at least once each financial year.
- The external auditors at least once each financial year.
- The Chief Audit Executive at least once each financial year.
- The internal auditors at least once each financial year (in the event of a co-sourced or outsourced arrangement).
- Other members of the executive as requested.

The Committee can request other staff attend with the above Ombudsman staff.

9.3 Dispute resolution

Members of the Committee and the Office'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 Ombudsman, the chair may, as a last resort, refer the matter to Treasury to be dealt with independently.

9.4 Secretariat

The Ombudsman 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 two weeks of the meeting to each member and committee observers, as appropriate. The minutes will also be circulated to the Board of Management post approval of the minutes by the Committee chair.

9.5 Conflicts of interest

Once a year, the Committee members will provide written declarations to the Ombudsman 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.

9.6 Induction

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

9.7 Assessment arrangements

The Ombudsman, in consultation with the chair of the Committee, will establish a mechanism to review and report on the overall 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 Ombudsman) with appropriate input sought from the Ombudsman, the internal and external auditors, the Chief Risk Officer, management and any other relevant stakeholders, as determined by the Ombudsman.

9.8 Review of charter

At least once a year the Committee will review this Charter. This review will include consultation with the Ombudsman.

Any substantive changes to this Charter will be recommended by the Committee and formally approved by the Ombudsman.

10. Ombudsman approval

Paul Miller
NSW Ombudsman

Reviewed by chair of Audit and Risk Committee:

Bruce Turner, AM
Chair, Audit and Risk Committee