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**Guidance on Shared Arrangements and Subcommittees  
for Audit and Risk Committees**

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**Policy & Guidelines Paper**

### Schedule of document amendments

Revision Number	Date	Update description
TPP12-04 Version 1.0	August 2012	Document Original – first publication
TPP 12-04 Version 1.1	March 2013	Clause 1.4 amended, for the avoidance of doubt as to the maximum number of agencies that can be oversighted by a shared Audit and Risk Committee. The following sentence has been deleted from page 7:  “It would be expected that this would be no more than 5 agencies as a <i>maximum</i> .”
TPP 16-02	July 2016	Document updated to reflect TPP 15-03 <i>Internal Audit and Risk Management Policy for the NSW Public Sector</i>
TPP 16-02 Version 1.1	December 2016	Document updated to refine example exemption clauses for agencies appointing a shared Chief Audit Executive

Agencies are advised that this version of the document supersedes and replaces all previous versions.

## Preface

In April 2011, individual government agencies were organised into nine clusters, each headed by a Principal Department. This arrangement provides a mechanism for coordination and strategic alignment. While there have been a number of amalgamations, many of the entities within the clusters have remained separate legal entities in their own right.

Treasury's aim is to maintain an appropriate level of internal oversight for all agencies in terms of assurance and independent advice requirements while minimising the administration, financial costs and resource implications. The *Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees* (TPP 12-04) was originally prepared by NSW Treasury to assist all agencies – large and small - within the clusters to comply with the Core Requirements of the *Internal Audit and Risk Management Policy for the NSW Public Sector* (TPP 09-05).

In 2015, TPP 09-05 was updated and re-released as *Internal Audit and Risk Management Policy for the NSW Public Sector* (TPP 15-03). Treasury has updated and re-released the *Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees* (TPP 16-02) in response to TPP 15-03, ensuring that both policies reflect Treasury's current Audit and Risk Committee requirements.

Part 1 of this Guidance provides a framework for agencies to consider whether shared arrangements would be an appropriate arrangement for them. It outlines prerequisites to participate in shared arrangements and two types of shared arrangements – collaborative and Principal Department led.

Part 2 provides guidance for the establishment of subcommittees to oversee functions, divisions and business areas of those larger departments or statutory bodies that have a diversity of functions and operations within a single legal entity. The Guidance is intended to facilitate the establishment and operation of subcommittees and ensure consistency across the sector.

Entities may obtain further information concerning operation of the Guidance from Treasury's Financial Management and Accounting Policy Branch by telephoning 02 9228 5932.

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**Treasury Ref: TPP16-02**

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### Note

General inquiries concerning this document should be initially directed to: Financial Management and Accounting Policy Branch, NSW Treasury.  
Telephone: 02 9228 5932.

This publication can be accessed from the Treasury's website  
[<http://www.treasury.nsw.gov.au/>].

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## Executive Summary

Core Requirement 3.1 of Treasury Policy Paper 15-03 “Internal Audit and Risk Management Policy for the NSW Public Sector” (TPP 15-03) requires agencies to establish an Audit and Risk Committee (ARC) while Core Requirements 3.2 and 3.3 describe the functions, responsibilities and Charter requirements of the ARC.

Treasury Policy Paper TPP 15-03 was issued as a direction to:

- “department heads” under s.18 of the *Annual Reports (Departments) Act 1985*
- “statutory bodies” under s.15 of the *Annual Reports(Statutory Bodies) Act 1984*
- “officers of an authority” and “accounting officers” under s.9 of the *Public Finance and Audit Act (1983)* (the PFAA)

In practical terms, all agencies listed in schedules 2 and 3 of the PFAA<sup>1</sup> are required to comply with the core requirements of TPP 15-03, including establishing an independent ARC.

The *Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees* has been prepared to help agencies to implement the Core Requirements in TPP 15-03. The Guidance is presented in two parts:

- Part 1 provides for shared arrangements for internal oversight to minimise administration and financial costs, particularly for very small agencies; and
- Part 2 provides for the establishment of subcommittees to oversee functions, divisions or projects within very large agencies.

### Part 1: Guidance on Shared Arrangements

Greater efficiency of resources may be achieved by several agencies collaborating for the purposes of some of the provisions of TPP 15-03, without diminishing the intent of TPP 15-03 or individual agency responsibility. TPP 15-03 envisaged sharing arrangements within clusters for internal audit governance and resourcing but did not define or provide guidance on how this could be achieved.

The efficiencies possible through shared arrangements could include sharing the cost of:

- engaging independent ARC members and Chair;
- secretariat services;
- the Chief Audit Executive (CAE); and
- travel and logistical arrangements.

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<sup>1</sup> With the exception of the Universities

The purpose of this guidance is to describe how agencies' resources can be combined to comply with TPP 15-03 and how the process should be formalised.

The key principles of the shared arrangements guidance are:

1. The aim of a shared arrangement is to ensure that the compliance cost of implementing TPP 15-03 for agencies is commensurate with their risk profile and benefit.
2. Agencies are eligible to enter in shared arrangements where:
  - an agency does not have a role that requires independence from other agencies; and
  - an agency has total annual expenditure of less than \$100 million, and the agency's risk profile does not warrant stand-alone arrangements.
3. Shared arrangements must be supported by all the agency heads of the statutory bodies entering into a shared arrangement. These arrangements are subject to approval by Treasury.
4. Shared arrangements may take two forms
  - a. Collaborative arrangement

A collaborative arrangement may be established by a group of agencies who meet the criteria and who agree to establish a shared ARC to provide oversight over all the entities in the shared arrangement.

The agencies will agree, among other things, who will take a lead in appointing the ARC members, appointing a CAE and providing secretariat support, and how the cost will be shared.
  - b. Principal Department led arrangement

In this model, the independent Chair and members of the Principal Department Audit and Risk Committee (ARC) oversees additional entities within the cluster on an opt in basis. Any arrangements of this nature should be detailed in a formal Shared Arrangement Agreement.

The Chief Audit Executive (CAE) is appointed by the Principal Department and supports all the entities overseen by the ARC. Alternatively, agencies may wish to instead appoint their own CAE, and share only the ARC.
5. Shared arrangements should be set out clearly in a Shared Arrangement Agreement. This agreement must be signed by the department head or governing board of a statutory body of each agency entering into the shared arrangement. The agreement should clearly outline the responsibilities of individual agencies.
6. The charter of the shared ARC should align with the model ARC charter in this Policy.

7. Remuneration of the Chair and members of a shared ARC must be in accordance with those prescribed for multi-agency arrangements in the *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members* (Prequalification Scheme). Membership of a shared ARC will count as one (1) towards the limit of five (5) memberships allowed for an ARC member.

All shared arrangements require Treasury approval and participating agencies, other than a Principal Department, are likely to require an exemption from a number of aspects of the Policy (e.g. to enable them to appoint a CAE outside of their own organisation).

Model Charters for shared arrangements, attestation templates and Ministerial Determination templates are contained as Annexures to this Policy.

## **Part 2:           Guidance on the operation of subcommittees of an Audit and Risk Committee**

This Part has been developed to bring some consistency in how Audit and Risk Committees overseeing very large departments establish subcommittees.

The key principles of the sub-committees guidance are:

1. Each agency listed in schedule 2 and 3 of the PFAA must have one ARC reporting to the department head or governing board of a statutory body, responsible for all matters across the agency as specified in TPP 15-03.
2. Subcommittee structures should only be required *within* large departments with diverse operations.
3. The Chair of the ARC should determine the need to establish a subcommittee. Approval must be sought from the department head or governing board of a statutory body prior to the establishment of subcommittees.
4. One of the independent prequalified members of the ARC is required to be the Chair of the subcommittee unless an exemption is sought from and granted by Treasury. It is strongly recommended that the Chair of the ARC is not the Chair of a subcommittee.
5. For independent ARC members of the same agency, membership of a subcommittee *will not* count towards the limit of five (5) memberships permitted under the Prequalification Scheme conditions. Membership of a subcommittee by an independent member who is not a member of the ARC of that agency (even if that person is a member of the ARC of another agency), *will* count towards the limit of five (5) memberships.
6. Remuneration of the Chair and members of a subcommittee shall be assessed based on a comparable agency size as per the Prequalification Scheme conditions.

A model ARC Subcommittee Charter is contained as an Annexure to this Policy.

## Definitions

The following lists relevant key terms and their definitions:

**Agency** means a Department or statutory body listed in Schedules 2 and 3 of the *Public Finance and Audit Act 1983* (PFAA) excluding universities.

**Agency head**, unless otherwise specified, means:

- in relation to a department, the department head as identified in column 2 of Schedule 3 of the PFAA, or
- in relation to a statutory body listed in Schedule 2 of the PFAA, the governing board or, in the absence of a governing board, the chief executive officer or the person who exercises the functions of a chief executive officer in relation to the statutory body.

**Attestation Statement** is an annual statement in which the agency head attests to the agency's compliance with the Core Requirements of TPP 15-03. The Statement is published in the Agency's Annual Report and a copy is submitted to NSW Treasury on or before 31 October each year.

**Audit and Risk Committee (ARC)** is a committee established in accordance with TPP 15-03 to monitor, review and provide advice about the agency's governance processes, risk management and internal control frameworks, and external accountability obligations.

**Audit Office** means the Audit Office of New South Wales.

**Chief Audit Executive (CAE)** heads the internal audit function in an agency and is responsible for providing strategic leadership and managing the internal audit function within the agency.

**Cluster** refers to the "administrative arrangements that bring together a group of different legal and administrative agencies and allow similar and complementary Government services to be coordinated more effectively within the broad policy area of a particular Cluster."<sup>2</sup> Clusters are not legal entities.

**Department**, unless otherwise specified, means a person, group of persons or body specified in Column 1 of Schedule 3 of the PFAA.

**Prequalification Scheme** means the Prequalification Scheme: Audit and Risk Committees Independent Chairs and Members operated by the Department of Finance, Services and Innovation.

**Statutory body** means a person, group of persons or body specified in Schedule 2 of the PFAA.

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<sup>2</sup> NSW Department of Premier and Cabinet, February 2013, *NSW Public Sector Governance Framework*.

## Part 1. Guidance on Shared Arrangements

### 1.1 Determining eligibility to participate in a Shared Arrangement

The following principles have been established as the basis for determining whether any type of shared arrangement is available as an option to an agency:

- Departments and statutory bodies listed in Schedules 2 and 3 of the PFAA<sup>3</sup> must be fully compliant with all aspects of TPP 15-03, including, amongst other requirements:
  - establishing an Internal Audit function and an independent Audit and Risk Committee (ARC); and
  - appointing a Chief Audit Executive (CAE).
- In certain instances the application of TPP 15-03 may be adapted to allow departments and statutory bodies to enter shared arrangements (without diluting the other requirements of TPP 15-03). These circumstances include where
  - compliance costs materially impact a department or statutory body's operating budget; and
  - compliance costs are not commensurate with a department or statutory body's risk profile.
- Shared arrangements
  - are optional for agencies that meet these conditions;
  - must be supported by all agency heads entering into the shared arrangement; and
  - are subject to approval by Treasury.
- Once approved, the arrangements may remain in place unless there is a material change in circumstances<sup>4</sup>.

Resources to be shared could include:

- ARC, Internal Audit function and CAE; or
- ARC and Internal Audit Function; or
- ARC.

Note that shared arrangements should be clearly distinguished from subcommittees<sup>5</sup> of ARCs. Subcommittees should only be established within a legal entity. Subcommittees should not be established to create capacity for an ARC to provide oversight over other legal entities within a cluster.

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<sup>3</sup> With the exception of Universities

<sup>4</sup> If there is a material change, a new application must be made to Treasury detailing the circumstances

<sup>5</sup> Refer to Part 2 for guidance on subcommittees

## 1.2 Prerequisites to participate in a Shared Arrangement

It is considered that the compliance cost of TPP 15-03 is unlikely to materially impact a department or statutory body's operating budget where the department or statutory body has total annual expenses of over \$100 million.

Shared arrangements will therefore be supported where:

- an agency does not have a role that requires independence from other agencies; **and**
- an agency has total annual expenditure of less than \$100 million and the agency's risk profile does not warrant stand-alone arrangements.

## 1.3 Challenges to implementation

The main challenges to implementing shared arrangements are for participating agencies and the shared ARC to ensure that:

- each agency continues to meet its legal and policy obligations through the shared arrangement;
- processes are in place to determine and document agreed arrangements, each agency understands their responsibilities and an appropriate dispute resolution process is included in the Shared Arrangement Agreement;
- the shared ARC spends adequate time providing independent oversight of each agency in the shared arrangement and maintains a strong relationship with each agency head in the shared arrangement;
- the accountabilities of the Head of an Authority under section 11 of the PFAA are not diluted by a shared arrangement.

The complexity and diversity in the businesses of agencies within some clusters may be such that it is unrealistic to assume a single CAE will be able to attain an adequate level of understanding of all the issues. The possibility of conflict of interest for a CAE may also arise.

## 1.4 Addressing challenges to implementation

The following responses have been devised in order to address challenges to implementing the shared arrangements.

The shared component of the ARC relates to resource, administrative and logistical arrangements. Shared ARCs are not to operate as a joint or shared session between agencies. Committees are still expected to hold separately minuted meetings for each of the respective agencies.

As with all other ARCs, department heads or Chief Executive Officers, Chief Finance and Accounting Officers and the CAE will not be members of the Committee but may attend meetings as observers as determined by the Chair. The CAE may attend the whole meeting at the invitation of the Chair. Non-executive directors of the governing board of a statutory body are eligible for appointment as independent Chairs and members of an ARC only where they have satisfied the requirements set out in Clauses 3.1.4 - 3.1.6 of TPP 15-03.

Invitees (other than the CAE) who attend meetings as observers, as determined by the Chair, shall only attend that part of the meeting that relates to their own agency.

Chairs and members must take all possible steps to obtain a sound understanding of the business of all the agencies included in the shared arrangement and the environment in which they operate. Agencies entering into shared arrangements should ensure that all necessary and relevant information is provided to the Chair and members to assist them in gaining this understanding.

While an optimum or maximum number of participating agencies in a shared arrangement has not been stipulated, shared ARCs have a responsibility to maintain an appropriate level of visibility of each of the agency's operations and reporting relationship with each agency head. It is envisaged that an appropriate number of agencies to be overseen by a shared ARC should be no more than can be comfortably accommodated in a day of meetings.

Where it is proposed to have a single CAE, agencies entering into shared arrangements should carefully consider the demands on the CAE both in terms of the need to understand different business activities and to ensure the span of activity does not become unmanageable. Where the demands on a single CAE are considered too great, consideration should be given to sharing other elements (e.g. ARC, secretariat, internal audit) and for each participating agency to appoint a CAE from within their own agency.

### 1.5 Elements of Shared Arrangements

The key common elements for all shared arrangements are set out below.

	Element	Proposal
A	<b>Decision to enter into a shared arrangement</b>	The agency head is responsible for identifying a need to enter into an agreement with other agencies to share an ARC, CAE arrangements and other resources, and for approving a Shared Arrangement Agreement.
B	<b>Documenting the arrangements</b>	All agencies entering into a shared arrangement must agree and sign a Shared Arrangement Agreement. Provisions that could be considered in the agreement include: <ul style="list-style-type: none"> <li>• how costs will be administered and shared</li> <li>• how the committee members will be appointed and reviewed</li> <li>• remuneration arrangements for committee members and cost sharing arrangements</li> <li>• what information, if any, is to be shared between agencies and how</li> <li>• how information is to be provided to the CAE and the Secretariat</li> <li>• how Secretariat services will be provided (minuting and reporting packs)</li> </ul>

	Element	Proposal
		<ul style="list-style-type: none"> <li>• arrangements for a shared CAE (where appropriate)</li> <li>• how the internal audit function is to be delivered and, where an outsourced delivery model is adopted, who is to be the in-house liaison/contract officer in each agency</li> <li>• who is responsible for ensuring the ARC charter is reviewed in accordance with TPP 15-03</li> <li>• the mechanism for formulating and delivering the annual report on the ARC's performance and for managing the ARC's performance</li> <li>• meeting schedule, including sequencing of meetings to cover each agency's business</li> </ul> <p>The Secretariat will be the custodian of all documentation relating to the Shared Arrangement Agreement.</p>
<b>C</b>	<b>Meeting format</b>	<p>While a shared ARC may oversee each of the agencies, meetings should not be considered joint sittings but rather sequential meetings covering each agency's business separately. Where the agency head, or agency representatives such as the Chief Financial or Accounting Officer and others as appropriate, are required to attend ARC meetings (refer item F), the ARC should establish a meeting schedule.</p> <p>Arrangements such as the meeting schedule, including the sequencing of meetings, should be covered in the Shared Arrangement Agreement (refer item B).</p>
<b>D</b>	<b>Shared ARC Charter</b>	<p>Shared ARCs must understand exactly what their responsibilities are. The Committee charter must outline the purpose, authority and scope of responsibility.</p> <p>The shared ARC charter should be similar to the model ARC charter<sup>6</sup>, except the scope should be expanded to recognise that the ARC is overseeing more than one agency.</p> <p>The shared ARC charter must be reviewed annually by the Chair of the ARC in consultation with the agency heads of all the agencies that are part of the shared arrangement.</p>
<b>E</b>	<b>Internal Audit Charter</b>	<p>The Internal Audit Charter should be consistent with the model Internal Audit charter (Annexure A of TPP 15-03). The reporting structure should reflect the CAE's administrative reporting line to one of the agency heads of the statutory bodies entering into the shared arrangement.</p>
<b>F</b>	<b>Committee composition</b>	<p>Composition guidelines for the ARC will remain the same regardless of the type of shared arrangement.</p> <p>The agency head must appoint only 'independent members' (including an 'independent chair') to the agency's audit and risk committee.</p>

<sup>6</sup> Model charters for shared arrangements are at Annexures A and B. These charters are based on the Model ARC Charter in TPP 15-03, but have been adapted for use by agencies participating in shared arrangements.

	Element	Proposal
		<p>The department head or Chief Executive Officer, the CAE and the Chief Finance and Accounting Officers shall not be members of the shared ARC but may attend meetings as observers as determined by the Chair.</p> <p>Non-executive directors of the governing board of a statutory body are eligible for appointment as Chairs and members of an ARC only where they have satisfied the requirements set out in Clauses 3.1.4 - 3.1.6 of TPP 15-03.</p>
<b>G</b>	<b>Chairs and members</b>	Chairs and members must be selected from the panel of prequalified individuals maintained by the Department of Finance and Services in accordance with clause 3.1.3 of TPP 15-03.
<b>H</b>	<b>Code of Conduct</b>	Chairs and members of shared ARCs are subject to the relevant code(s) of conduct of each of the agencies in the shared arrangements and should familiarise themselves with these. They should also familiarise themselves with the relevant Department of Premier and Cabinet policies and guidelines as detailed in TPP 15-03 and are subject to the <i>Code of Conduct: Audit and Risk Committee Independent Chairs and Members</i> .
<b>I</b>	<b>Meetings and quorum</b>	<p>TPP 15-03 requires that an ARC meet at least four times per year or more frequently as circumstances dictate. It is expected that shared ARC meetings for each agency would normally be held sequentially on the same day.</p> <p>A quorum will consist of a majority of members.</p>
<b>J</b>	<b>Information sharing</b>	Information sharing arrangements should be articulated in the Shared Arrangement Agreement, particularly pertaining to the authority of the CAE to request and receive information from all agencies within the shared arrangement and provision of Secretariat services (such as minute-taking and distribution).
<b>K</b>	<b>Remuneration of shared ARC members</b>	<p>The remuneration of the Chair and members of a shared ARC must be in accordance with the Prequalification Scheme conditions.</p> <p>Remuneration of the Chair and members of a shared ARC must be in accordance with those prescribed for “Multi-agency” ARCs in the Prequalification Scheme conditions.</p>
<b>L</b>	<b>Number of committees on which members may serve</b>	<p>The Scheme conditions limit the number of prequalified independent members to five (5) committees.</p> <p>Membership of a shared ARC will count as one committee for the purposes of Scheme conditions.</p> <p>Members are required to disclose membership of all shared ARCs and sub committees to the operators of the Scheme (Department of Finance, Services and Innovation) and to the agency head.</p>
<b>M</b>	<b>Internal Audit</b>	The Internal Audit function may be in-house, outsourced or co-sourced as provided in TPP 15-03. The role of the CAE cannot be outsourced.

	Element	Proposal
<b>N</b>	<b>Relationship between the shared ARC and the agency heads</b>	<p>The Shared Arrangements Agreement should detail clear reporting lines to ensure that a common understanding exists of the respective objectives and responsibilities of the shared ARC to report to each agency head in the shared arrangement.</p> <p>While the ARC is shared, in terms of compliance with TPP 15-03, it operates as an individual ARC for each separate agency. This requires members of the ARC to liaise with the respective agency heads, ensure separate records are maintained, and provide independent assurance and oversight for each participating agency.</p>
<b>O</b>	<b>Attestation Statements</b>	Each agency entering into a shared arrangement is required to provide an attestation to Treasury in accordance with TPP 15-03 and make a declaration in their annual report. <sup>7</sup>

## 1.6 Types of Shared Arrangements

There are two suggested methods for combining resources providing the criteria on page 6 are met:

- 1) Collaborative shared arrangements where similar agencies within a cluster enter into a Shared Arrangement Agreement to share resources and minimise costs
- 2) Principal Department led shared arrangements where agencies within the cluster are overseen by the members of the Principal Department ARC.

Guidance for each respective arrangement is below.

	Element	Collaborative	Principal Department led
<b>A</b>	<b>Description</b>	Agencies that meet the shared arrangement criteria within a cluster enter into a shared arrangement.	Agencies within a cluster that meet the shared arrangement criteria agree with the Principal Department that the Chair and members of its ARC will extend their oversight to other agencies.
<b>B</b>	<b>Structure</b>	Agencies negotiate and agree on administrative and resource sharing arrangements.	The Chair and members of the Principal Department ARC oversee, on an opt-in basis, additional agencies within the cluster that meet the shared arrangement criteria.

<sup>7</sup> Refer to the attestation template contained at Annexure D. This template is based on the attestation statement template in TPP 15-03, but has been adapted for use by agencies participating in shared arrangements.

	Element	Collaborative	Principal Department led
<b>C</b>	<b>Suitability</b>	Particularly suitable for agencies within the cluster that: <ul style="list-style-type: none"> <li>• share a common aim or organisational values; and/or</li> <li>• deliver on similar service delivery obligations; and/or</li> <li>• regularly collaborate to provide joint services.</li> </ul>	Suitable for all eligible agencies within the cluster.
<b>D</b>	<b>Responsibilities</b>	Roles and responsibilities are agreed upon by all the agencies entering into the shared arrangement.	The Principal Department articulates the roles and responsibilities of agencies participating in the shared arrangement and those agencies that choose to opt in.
<b>E</b>	<b>Secretariat</b>	Joint Secretariat agreed upon by all the agencies entering into the shared arrangement.	The Principal Department appoints the Secretariat.
<b>F</b>	<b>Engaging of Members</b>	The agency head of one of the agencies is responsible for engaging the Chair and members through a process agreed upon by all the agencies entering into the shared arrangement.	The Principal Department Head selects and appoints the Chair and members.
<b>G</b>	<b>Committee Composition</b>	The shared ARC must be consistent with composition requirements of TPP 15-03 and consist of at least three (3) and no more than five (5) independent members.	The Principal Department ARC must be consistent with composition requirements of TPP 15-03 and consist of at least three (3) and no more than five (5) independent members.
<b>H</b>	<b>Charter</b>	The shared ARC charter for a collaborative arrangement should be similar to the model ARC charter <sup>8</sup> , except the scope should be expanded to recognise that the ARC is overseeing more than one agency. The charter must be reviewed annually by the ARC Chair in consultation with all of the agency heads entering into the shared arrangement.	The shared ARC charter for a Principal Department led arrangement should be similar to the model ARC charter <sup>9</sup> , except the scope should be expanded to recognise that the ARC is overseeing more than one agency. The charter must be reviewed annually by the ARC Chair in consultation with all of the agency heads entering into the shared arrangement.

<sup>8</sup> A model charter for a collaborative arrangement is at Annexure A. This charter is based on the Model ARC Charter in TPP 15-03, but has been adapted for use by agencies participating in collaborative shared arrangements.

<sup>9</sup> A model charter for a Principal Department led arrangement is at Annexure B. This charter is based on the Model ARC Charter in TPP 15-03, but has been adapted for use by agencies participating in Principal Department led shared arrangements.

	Element	Collaborative	Principal Department led
I	<b>Chief Audit Executive (CAE)</b>	<p>The CAE <u>must</u> be an employee of <u>one</u> of the agencies entering into shared arrangements.</p> <p>The CAE should assume the responsibilities of a CAE outlined in TPP 15-03 on behalf of <u>all</u> the agencies that have entered into the shared arrangement.</p> <p>The CAE will report functionally to the ARC but administratively to the agency head of <u>one</u> of the agencies entering into the shared arrangement.</p> <p>The Shared Arrangement Agreement should clearly specify to which agency head the CAE should administratively report.</p> <p>The Agreement should also specify that all the agency heads of statutory bodies participating in the shared arrangement are jointly responsible for consulting with the ARC when designating, appointing or removing a CAE in accordance with clause 2.1.8 of TPP 15-03.</p> <p>Each agency entering into a shared arrangement should nominate a person within their organisation to be responsible for liaising with the CAE.</p> <p>Given the importance of the role, agencies should give due consideration to appointing a CAE who is appropriately qualified.</p> <p>In some instances a single CAE may not be appropriate due to diversity in business activities or the breadth and complexity of activities.</p>	<p>The Principal Department Head will appoint the CAE from within the Principal Department. In accordance with Clause 2.1.8 of TPP 15-03 the Principal Department Head must consult with the ARC when appointing or removing a CAE.</p> <p>Where the CAE is to be shared, the CAE will additionally assume the responsibilities of a CAE outlined in TPP 15-03 on behalf of the agencies that have entered into the shared agreement.</p> <p>The CAE will report functionally to the ARC but administratively to the Principal Department Head.</p> <p>In some instances a single CAE may not be appropriate due to diversity in business activities or the breadth and complexity of activities.</p> <p>Where an agency within the shared arrangement wishes to appoint an individual CAE, this should be accommodated in the Shared Arrangement Agreement. In such an instance, the CAE must be appointed from <u>within</u> that particular agency, in consultation with the members of the Principal Department ARC.</p> <p>Each agency entering into a shared arrangement should nominate a person within their organisation to be responsible for liaising with the CAE.</p> <p>The Principal Department must appoint a CAE who is appropriately qualified and/or experienced.</p> <p>The CAE will be invited to attend each meeting, unless requested not to do so by the Chair of the Committee.</p>

	Element	Collaborative	Principal Department led
		<p>An agency in a shared arrangement may still choose to have its own CAE. The CAE must be appointed from within that agency, in consultation with the shared ARC.</p> <p>The CAE will be invited to attend each meeting, unless requested not to do so by the Chair of the ARC.</p>	
J	<b>Administration</b>	<p>The establishment of a shared ARC and CAE must be formalised in a Shared Arrangement Agreement. There is no prescribed format for such an agreement, which should be drawn up to suit the needs of the participating agencies. The agreement should identify how participating agencies will share resources and administrative costs and provide the mechanism for the agency heads to commit to the arrangement with the approval of their boards where relevant.</p>	<p>The Principal Department must establish a Shared Arrangement Agreement with the participating agencies to formalise the arrangements for the Principal Department led ARC and CAE. There is no prescribed format for such an agreement. This agreement should identify the role of the Principal Department, the responsibilities of the participating agencies and provide the mechanism for the agency heads to commit to the arrangement with the approval of their boards where relevant.</p>
K	<b>Performance Appraisal</b>	<p>The agency head of each agency is responsible for ensuring that an annual performance appraisal of the ARC is undertaken and for providing feedback to the Chair.</p> <p>Agencies may collaborate in developing a performance evaluation mechanism. The Shared Arrangement Agreement should document the performance appraisal process and who will be responsible for taking appropriate action where necessary.</p> <p>Subject to the agreement of all the agency heads in the shared arrangement, a simple consolidated report may be formulated and delivered to agency heads rather than separate reports.</p>	<p>The Principal Department Head is responsible for annually reviewing the performance of the Principal Department ARC Chair and members.</p> <p>In reviewing performance of the members, due consideration should be given to the input of the agency heads of other participating agencies. It is the responsibility of the Principal Department Head to provide formal feedback to the Chair of the ARC and to take appropriate action where necessary. The Principal Department should ensure that the process is documented in the Shared Arrangement Agreement.</p>

	Element	Collaborative	Principal Department led
L	<b>Dispute Resolution</b>	All agencies are required to monitor the operation of the agreement, hold one another accountable and establish a dispute resolution process as part of the Shared Arrangement Agreement.	The Principal Department should ensure that the process for managing disputes is documented in the Shared Arrangement Agreement.

### 1.7 Initiating a Shared Arrangement

It is the responsibility of the agency head to identify the need for, and opportunities to enter into, shared arrangements.

Where the Agency Heads in a cluster

- have identified an opportunity to enter into such a shared arrangement;
- are satisfied that their agencies meet the eligibility criteria; and
- have agreed to pursue a shared arrangement, either a Principal Department led or collaborative arrangement,

they should jointly address a letter seeking approval for a shared arrangement to NSW Treasury (on behalf of the Treasurer). Letters should be addressed to:

Director, Financial Management and Accounting Policy  
NSW Treasury  
GPO Box 5469  
Sydney, NSW, 2001

This letter should:

- identify the agencies proposing to enter into a shared arrangement
- include a brief description of the proposed arrangement and where appropriate seek an exemption from relevant clauses in TPP 15-03, such as
  - those clauses in TPP 15-03 that require a CAE to be appointed within a department or statutory body by the agency head
  - those clauses that require the agency head to appoint the Chair and members of the ARC.

Refer to the table with examples below, which should be modified as appropriate.

	TPP15-03 Clause(s)	Requirement	Equivalent Shared arrangement
1	2.1.7 2.1.9	CAE should be appointed from within the agency by the agency head	Where a CAE role is to be shared, the agency heads entering in a shared arrangement should agree for a CAE to be appointed from one of the agencies entering into the shared arrangement (in the case of a Principal Department led arrangement, this will be the Principal Department CAE).  The details should be set out in a Shared Arrangement Agreement and briefly described in the application to Treasury.
2	2.1.14	CAE reports functionally to the ARC and administratively to the agency head	Where a CAE role is to be shared, the CAE will report administratively to the agency head of one of the agencies in the shared arrangement (in the case of a Principal Department led arrangement, the CAE will report administratively to the Principal Department Head).  The details should be set out in a Shared Arrangement Agreement and briefly described in the application to Treasury.  The Internal Audit and ARC charters should be amended to reflect this reporting relationship.
3	2.1.8	The agency head must consult with the ARC in appointing and removing a CAE	The agency head nominated as responsible for appointing the CAE on behalf of the other agencies in the shared arrangement is also responsible for consulting with the ARC in removing a CAE. The arrangement should be briefly described in the application to Treasury.
4	3.1.1 3.1.3 3.1.4	The agency head should establish the ARC and appoint the Chair and members	In a shared arrangement, one of the agency heads will be empowered by a Shared Arrangement Agreement to appoint the Chair and ARC members on behalf of all the other agencies participating in the arrangement (in the case of a Principal Department led arrangement, the Principal Department Head will select and appoint the Chair and ARC members).  The arrangement should be briefly described in the application to Treasury.
5	3.3.21	The agency head must establish a mechanism to review and report on the performance of the	In a collaborative shared arrangement, the mechanism and process for reviewing and reporting on the performance of the ARC as a whole, and the performance of the Chair and each member is agreed between the

	TPP15-03 Clause(s)	Requirement	Equivalent Shared arrangement
		ARC	participating agencies.  In the case of a Principal Department led arrangement, the Principal Department Head will be responsible for the ARC performance review.

Treasury approval of the proposal will also constitute automatic approval for an **exemption** to the clauses for which an exemption is sought in TPP 15-03, based on the equivalent alternative shared arrangement described in the application.

For the avoidance of doubt it should be noted that the exemptions above are not required where agencies propose to appoint a CAE from within their own organisation, i.e. where the CAE function is not shared. In such instances, the exemptions listed above relating to the CAE need not be sought when applying to Treasury for approval of a proposed shared arrangement.

In the case of Principal Department led arrangements, the exemptions will only be applicable to agencies seeking to be overseen by the Principal Department ARC. The Principal Department is expected to be fully compliant with the Policy. However the application to Treasury to seek approval for a shared arrangement must be supported by the Principal Department Secretary.

## **Part 2: Guidance on the operation of subcommittees of an audit and risk committee**

### **2.1 General**

The establishment of subcommittees is optional and it is the responsibility of the Chair of the ARC to determine the need for subcommittees to assist the ARC in the fulfilment of its obligations under TPP 15-03. Approval must be obtained from the agency head prior to the establishment of subcommittee structures.

It is envisaged that subcommittee structures should only be required in large departments or statutory bodies which have a diversity of functions and operations. Smaller departments and statutory bodies may not have either the resources or the need to operate subcommittees.

Subcommittees may be established to oversee functions, divisions or business areas of the department or statutory body, or for specific projects. However subcommittees should only be established within a legal entity. Subcommittees would consider the detail and provide summaries and proposals for the ARC to consider. This will allow the ARC to perform its responsibilities effectively and not be overwhelmed by the volume of issues. Subcommittees may be standing (ongoing) committees or set up for specific projects on a limited term basis. Subcommittees should not be established to enable an ARC to oversee another legal entity within the cluster.

While the ARC may delegate tasks and functions to subcommittees the ARC retains full responsibility. Subcommittees must regularly report to the ARC on their actions, decisions and recommendations. The charter of the subcommittee must have clear reporting protocols and provide for a clear understanding of the objectives and responsibilities of each subcommittee.

It is important to note that 'clusters' of strategically aligned entities do not constitute a single reporting entity over which one ARC has coverage. Refer Part 1 of this Guidance covering 'Shared' ARC arrangements.

## 2.2 Elements for subcommittees

The key common elements for subcommittee arrangements are set out below.

	Issue	Policy Position
A	<b>What is a subcommittee?</b>	<p>For the purposes of this guidance, a subcommittee is a committee established on the advice of the ARC, which reports to the ARC and typically focuses on the detail or specific matters allocated to that subcommittee. Subcommittees of the ARC could fall into two broad categories:</p> <ol style="list-style-type: none"> <li>1. standing (ongoing) committees considered necessary as fixed components of the ARC's supporting infrastructure</li> <li>2. non-ongoing committees, which may have limited life spans, based on specific areas of focus e.g. a specific project</li> </ol> <p>The ARC cannot delegate its responsibilities to a subcommittee.</p>
B	<b>Why establish a subcommittee?</b>	<p>A subcommittee can help an ARC function more efficiently and effectively by:</p> <ol style="list-style-type: none"> <li>1. focusing on issues of detail or specific matters</li> <li>2. including members on the subcommittee who may have specific knowledge of a particular subject e.g. a division or branch in an agency or a specific function.</li> </ol>
C	<b>Who determines the need to establish a subcommittee?</b>	<p>The Chair of the ARC is responsible for determining the need to establish a subcommittee to assist the ARC in the fulfilment of its obligations under TPP 15-03.</p> <p>The requirement to establish a subcommittee must be discussed with, and approval must be sought from, the agency head prior to establishing a subcommittee (refer to element E on the following page).</p> <p>Appointments to the subcommittee must be made by the agency head.</p> <p>It is also the responsibility of the agency head to determine if a subcommittee is no longer required.</p>
D	<b>Subcommittee Charter</b>	<p>Subcommittees must understand exactly what their responsibilities are. The subcommittee charter must outline its purpose, authority and scope of responsibility.</p> <p>Subcommittee charters must detail the reporting protocols in place to ensure there is common understanding of the respective objectives and responsibilities of each subcommittee.</p>

	Issue	Policy Position
		<p>Where subcommittees are established as a non-ongoing committee for a specific or ad-hoc purpose (as opposed to a standing committees with an ongoing existence) they must include a sunset clause at which time their existence will cease or be reconsidered in their charter.</p> <p>Subcommittee charters must be reviewed and approved by the Chair of the ARC and by the agency head. A subcommittee charter must be adopted by a resolution of the ARC.</p> <p>The charter of subcommittees must be reviewed annually.</p> <p>A model charter for a subcommittee is provided at Annexure C. Responsibilities in the model charter should be modified according to the objectives of the subcommittee.</p>
E	<b>Composition</b>	<p>The Chair of the ARC should determine the need for a subcommittee. The Chair of the ARC should recommend to the agency head the composition of the subcommittee based on a resolution of the ARC.</p> <p>The composition of a subcommittee will depend on the size, diversity and nature of its functions, the complexity of its responsibilities and the agency risk profile. These will also contribute to determining the number of subcommittees to be established.</p> <p>Membership of the subcommittee is a key factor in its effectiveness. Members must have the appropriate skill set for the function/business area/division to be overseen.</p> <p>The Chair of the subcommittee must be an independent prequalified member of the ARC unless an exemption from this requirement has been sought from and approved by the Treasury. The Chair of the subcommittee does not need to be prequalified as a Chair under the Prequalification Scheme.</p> <p>It is strongly recommended that:</p> <ul style="list-style-type: none"> <li>• the Chair of the ARC not be the Chair of the subcommittee to avoid the situation of the Chair reporting to him/herself</li> <li>• that the number of members of a subcommittee be consistent with composition requirements of TPP 15-03 with subcommittees consisting of at least three (3) and no more than five (5) members</li> <li>• subcommittees be comprised of a majority of independent members.</li> </ul>

	Issue	Policy Position
		<p>Independent members of the subcommittee may be selected from the ARC or the pre-qualification panel. In exceptional circumstances, where specialist skills are required and are not available from the pre-qualification panel, independent members on the subcommittee may be selected from outside the Scheme<sup>10</sup>.</p> <p>Independence requirements per TPP 15-03 (clauses 3.1.4 – 3.1.6) apply to all independent members (refer also item F below). The ARC is responsible for ensuring the subcommittee members meet the independence criteria.</p> <p>In the case of a standing committee or a limited term committee where the duration of the committee exceeds 4 years, the initial term for membership of the subcommittee must not exceed four (4) years with an option for reappointment for a further term of maximum four (4) years.</p> <p>The agency head, the CAE and the Chief Finance and Accounting Officers shall not be members of the subcommittee but may attend meetings as observers as determined by the Chair.</p>
<b>F</b>	<b>Independence</b>	<p>A member of the ARC shall not accept a role as a consultant to the subcommittee.</p> <p>Conflict of interest declarations pursuant to TPP 15-03 should extend to all committees served on by members.</p> <p>Independence requirements contained in TPP 15-03 apply to all independent members on a subcommittee.</p>
<b>G</b>	<b>Code of conduct</b>	<p>Chairs and members of subcommittees are subject to the general principles of conduct that apply to public sector employees.</p> <p>Subcommittee members must familiarise themselves with the relevant Department of Premier and Cabinet policies and guidelines as detailed in TPP 15-03 (clause 3.3.19) and with the <i>Code of Conduct: Audit and Risk Committee Independent Chair and Members</i>.</p>
<b>H</b>	<b>Secretariat services</b>	<p>The effectiveness of the ARC and subcommittees is dependent on members having appropriate time to consider financial and other information placed before them.</p>

<sup>10</sup> In such instances, it is the responsibility of the department head or governing board of the statutory body to undertake pre-engagement checks, including criminal record, financial status (bankruptcy), and ABN/Registered Business name checks

	Issue	Policy Position
		<p>The secretariat needs to ensure that meetings are scheduled, minutes are taken, and information packages are circulated well in advance of the meetings to enable members to adequately review all information put before them. This should be no less than one (1) week prior to the meeting.</p> <p>Minutes of subcommittee meetings should be taken by the secretariat and distributed to members no later than two (2) weeks after the meeting. These should be reviewed and approved by the Chair of the subcommittee prior to circulation.</p> <p>The agency head should appoint a secretariat for the subcommittee. The secretariat should have the appropriate skills to conduct these duties.</p>
I	<b>Delegation</b>	<p>The ARC retains full responsibility and must still periodically review matters delegated to subcommittees. Minutes and reports of all subcommittee meetings must be included as a standing item on the ARC agenda and be included in ARC members' information packages.</p>
J	<b>Meetings and quorum</b>	<p>TPP 15-03 requires that an ARC meet at least four times per year or more frequently as circumstances dictate. Where possible, subcommittee meetings should be held immediately prior to the meeting of the ARC to optimise communication between the ARC and its subcommittees.</p> <p>An annual calendar of meetings should be constructed for the subcommittee. There is no set requirement on the number of meetings that a particular subcommittee should have.</p> <p>Charters should also allow the subcommittee to meet outside the official calendar when needed.</p> <p>A quorum will consist of a majority of subcommittee members.</p>
K	<b>Performance appraisal</b>	<p>The Chair of the subcommittee must establish a mechanism to review and report on the performance of the subcommittee and the performance of each member, to the agency head.<sup>11</sup></p>

<sup>11</sup> In exceptional circumstances, and for unavoidable reasons, if the Chair of a subcommittee is also the Chair of an ARC, the agency head must review the performance of the Chair of the subcommittee. The model charter must be amended appropriately to reflect this arrangement.

	Issue	Policy Position
L	<b>Removal of independent members from subcommittees</b>	<p>The department head or governing board of a statutory body may only remove an independent prequalified member from a subcommittee with approval of the relevant Minister.</p> <p>The department head or governing board of a statutory body may revoke a membership of a subcommittee where a member has:</p> <ul style="list-style-type: none"> <li>a) breached Scheme Conditions or code of conduct; or</li> <li>b) provided unsatisfactory performance on the particular committee; or</li> <li>c) declared or is found to be in a position of conflict of interest which is unresolvable.</li> </ul> <p>Where an agency head terminates the engagement of an independent prequalified member of a subcommittee, the agency head will then advise in writing:</p> <ul style="list-style-type: none"> <li>a) The subcommittee member of the decision to terminate his or her engagement on the relevant subcommittee</li> <li>b) The Chair of the Audit and Risk Committee</li> <li>c) The Secretary of the Treasury and the Secretary of the Department of Finance, Services and Innovation of the decision.</li> </ul>
M	<b>Remuneration of subcommittee members</b>	<p>The remuneration of the Chair and members of a subcommittee must be in accordance with the Scheme conditions.</p> <p>Total expenditure of the function/business area/division or specific project overseen by the subcommittee should be established. The maximum remuneration of the Chair and members of a subcommittee must be determined based on the remuneration applicable to independent Chair and members of an ARC of an agency of equivalent size in accordance with the Scheme.</p> <p>The annual fee structure applicable to the Chair should be prorated based on the life of the committee where the subcommittee is not ongoing.</p>
N	<b>Number of subcommittees that members may serve on</b>	<p>The Scheme conditions limit prequalified independent members to membership of no more than (5) five committees. Membership of a subcommittee by an independent member of the ARC of that agency <b>will not</b> count for the purposes of this Scheme condition. Membership of a subcommittee by an independent member who is not a member of the ARC of that agency (even if that person is a member of the ARC of another agency), <b>will</b> count for the purposes of this Scheme condition.</p>

	Issue	Policy Position
		<p>Independent members are required to disclose membership of all subcommittees to the operators of the Scheme (Department of Finance, Services and Innovation) and to the agency head. The agency head should exercise discretion as to the number of subcommittees on which independent members may be appointed as members based on an assessment of workload and performance.</p>
O	<p><b>Letter of engagement for members who serve on subcommittees</b></p>	<p>The attachment to a letter of engagement for ARC members serving on a subcommittee should list all subcommittees in addition to ARCs that the member is on. The attachment should clearly specify the nature of the subcommittee, i.e. time limited or standing (ongoing).</p> <p>A letter of engagement must be exchanged with independent members of the subcommittee who are not members of the ARC.</p>
P	<p><b>Relationship between the ARC and its subcommittees</b></p>	<p>The Charter of the subcommittee should detail clear reporting lines to ensure that a common understanding exists of the respective objectives and responsibilities of all subcommittees reporting to the ARC. The Chair of each subcommittee should report to the Chair of the ARC.</p> <p>The ARC and its subcommittees need to be able to share information and operate in a cooperative and complementary manner.</p>

**Annexure A: Model Audit and Risk Committee Charter  
(Collaborative Shared Arrangement)<sup>12</sup>**

Audit and Risk Committees of NSW agencies are required to have a Charter that is consistent with the content of the ‘model charter’. This model charter is based on the model charter in TPP 15-03, and is for agencies entering into a collaborative shared arrangement. In doing so it is important that each agency consider carefully its particular circumstances, as there may be additional agency-specific requirements that must also be addressed.

The following agency heads have entered into a shared arrangement and have established a shared Audit and Risk Committee (‘the Committee’) in compliance with the *Internal Audit and Risk Management Policy for the NSW Public Sector*.

Agency	Agency Head

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

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 agency heads of all participating entities by monitoring, reviewing and providing advice about the participating entities’ governance processes, risk management and control frameworks, and external accountability obligations.

**Authority**

The agency heads 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 agency heads of the participating entities at committee meetings
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the expense of any or all of the participating entities subject to the approval of the agency heads of the relevant participating entities.

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<sup>12</sup> This Model Audit and Risk Committee Charter is a modified version of the model charter set out in the Australian National Audit Office (ANAO) *Better Practice Guide: Public Sector Audit Committees*. Copyright Commonwealth of Australia.

## Composition and tenure

The Committee will consist of at least three (3) members, and no more than five (5) members<sup>13</sup>, who will be appointed by the process outlined in the Shared Arrangement Agreement.

The [agency head] of [participating entity as agreed in the Shared Arrangement Agreement] 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 must 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 must 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>14</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 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 must 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 each particular agency head for the exercise of its responsibilities pertaining to that entity. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for the management of each participating entity rests with the agency head of that entity.

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

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

## Risk management

- review whether management has in place a current and appropriate risk management framework that is consistent with AS/NZS ISO 31000:2009
- review risk management plans and provide advice to the agency head
- seek assurance from management and internal audit that risk management processes are operating effectively
- seek assurance from management and internal audit as to the adequacy and effectiveness of internal controls
- review risk reports and provide advice to the agency head

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<sup>13</sup> Inclusive of the Chair

<sup>14</sup> Government sector is defined in the *Government Sector Employment Act 2013*.

- review whether a sound and effective approach has been followed in developing risk management plans for major projects or undertakings
- review the impact of the agency's risk management on its control environment and insurance arrangements
- review the agency's fraud control plan and be satisfied that the agency has appropriate processes and systems in place to capture and effectively investigate fraud related information
- 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

### Control framework

- review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisors, is sound and effective
- review whether management has in place relevant policies and procedures, and that these are periodically reviewed and updated
- determine whether the appropriate processes are in place to assess, at least once a year, whether laws, regulations, policies and procedures are complied with
- review whether appropriate policies and procedures are in place for the management and exercise of delegations
- consider how management identifies any required changes to the design or implementation of internal controls
- review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

### 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 agency head (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the agency head
- 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 NSW Treasury Policy and Guidelines Paper *Certifying the Effectiveness of Internal Controls over Financial Information* (TPP 14-05))
- 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 has a performance management framework that is linked to organisational objectives and outcomes.

### Compliance with applicable laws and regulations

- 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 and regulations, and associated government policies.

## Internal audit

- act as a forum for communication between the agency head, senior management and internal and external audit
- review and provide advice to the agency head 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 agency head
- advise the agency head on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan
- oversee the coordination of audit programs conducted by internal and external audit and other review functions
- review audit findings and related recommendations that have been assessed as the most significant according to the risk the audit finding represents to the agency if the recommendation(s) related to the finding are not implemented
- provide advice to the agency head 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 the internal audit charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place
- periodically review the performance of internal audit and the Chief Audit Executive
- provide advice to the agency head on the results of any external assessments of the internal audit function
- provide advice to the agency head on whether the Chief Audit Executive should be a dedicated role within the agency
- provide advice to the agency head on the appointment or replacement of the Chief Audit Executive and recommend to the agency head the appointment or replacement of external internal audit service providers [in the case of an outsourced or co-sourced internal audit function].

## External audit

- act as a forum for communication between the agency, senior management and internal and external audit
- provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided
- review all external plans and reports in respect of planned or completed audits and monitor management's implementation of audit recommendations
- provide advice to the agency head on action taken on significant issues raised in relevant external audit reports and better practice guides.

## 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 NSW public 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 each agency head participating in the shared arrangement or equivalent on its operation and activities during the year. Each report should include:

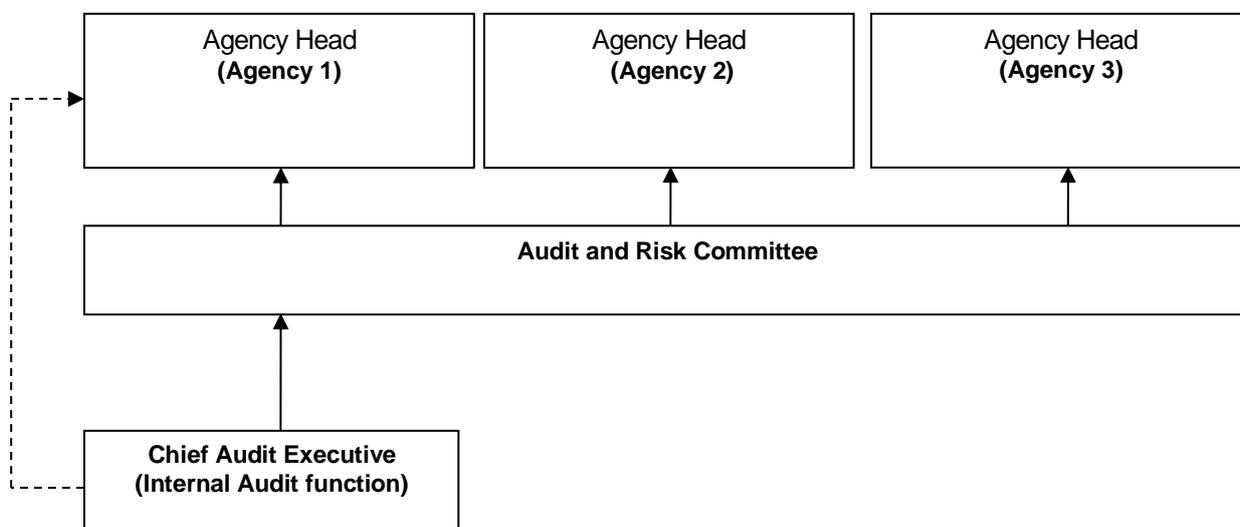
- an overall assessment of the agency’s risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the agency
- a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year
- details of 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 each participating entity’s agency head 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 any respective participating entity agency head.

## Reporting Lines

The Committee must 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 each participating entity’s agency head on functional matters.

The following reporting line is prescribed:



## Administrative arrangements

### Meetings

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.

The Chair is required to call a meeting if requested to do so by any participating entity’s agency head, or another Committee member.

A meeting plan, including meeting dates and agenda items, will be agreed by the Committee each year. 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.

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

The agency head 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), external audit representatives and any other agency representatives may attend relevant Committee meetings, except where the Committee members wish to have in-camera discussions. The Committee may also request the Chief Finance Officer or other employees of participating entities 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.

## 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 agency heads of participating entities, the Chair may, as a last resort, refer the matter to NSW Treasury to be dealt with independently.

## Secretariat

Responsibility and the process for appointment of a person or persons to act as the Secretariat will be outlined in the 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 must 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 each participating entity's agency head stating they do not have any conflicts of interest that would preclude them from being members of the Committee.

Committee members must 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 a real, or perceived, conflict of interest it may be appropriate that they are excused 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 participating entities' agency heads will agree upon 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 participating entities' agency heads) with appropriate input sought from the participating entities' agency heads, internal and external auditors, Chief Risk Officers (as relevant), management and any other relevant stakeholders, as determined by the participating entities' agency heads.

Arrangements for review of performance should be documented in the Shared Arrangement Agreement.

**Review of charter**

At least once a year the Committee will review this Charter. This review will include consultation with the agency heads of 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 agency head.

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

\_\_\_\_\_

Reviewed by agency head or in accordance with a resolution of the Governing Board of the Statutory Body

Entity A (Sign and Date)

\_\_\_\_\_

Entity B (Sign and Date)

\_\_\_\_\_

Entity C (Sign and Date)

\_\_\_\_\_

## Annexure B: Model Audit and Risk Committee Charter (Principal Department Led Shared Arrangement)<sup>15</sup>

Audit and Risk Committees of NSW agencies are required to have a Charter that is consistent with the content of the 'model charter'. This model charter is based on the model charter in TPP 15-03, and is for agencies entering into a shared arrangement with a Principal Department ARC. In doing so it is important that each agency consider carefully its particular circumstances, as there may be additional agency specific requirements that must also be addressed.

The Principal Department has established an Audit and Risk Committee ('the Committee') in compliance with the *Internal Audit and Risk Management Policy for the NSW Public Sector*. The following agency heads have agreed that the Committee will provide oversight for these agencies through a shared arrangement.

Agency	Agency Head

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

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 agency heads of all participating entities by monitoring, reviewing and providing advice about the participating entities' governance processes, risk management and control frameworks, and external accountability obligations.

### Authority

The agency heads 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 agency heads of the participating entities at committee meetings
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the expense of any or all of the participating entities subject to the approval of the agency heads of the relevant participating entities.

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<sup>15</sup> This Model Audit and Risk Committee Charter is a modified version of the model charter set out in the Australian National Audit Office (ANAO) *Better Practice Guide: Public Sector Audit Committees*. Copyright Commonwealth of Australia.

## Composition and tenure

The Committee will consist of at least three (3) members, and no more than five (5) members<sup>16</sup>.

The agency head of [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 must 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 must 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>17</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 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 must 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 each particular agency head for the exercise of its responsibilities pertaining to that entity. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of each participating entity rests with the agency head of that entity.

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

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

## Risk management

- review whether management has in place a current and appropriate risk management framework that is consistent with AS/NZS ISO 31000:2009
- review risk management plans and provide advice to the agency head
- seek assurance from management and internal audit that risk management processes are operating effectively
- seek assurance from management and internal audit as to the adequacy and effectiveness of internal controls
- review risk reports and provide advice to the agency head
- review whether a sound and effective approach has been followed in developing risk management plans for major projects or undertakings
- review the impact of the agency's risk management on its control environment and insurance arrangements

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<sup>16</sup> Inclusive of the Chair

<sup>17</sup> Government sector is defined in the *Government Sector Employment Act 2013*.

- review the agency's fraud control plan and be satisfied that the agency has appropriate processes and systems in place to capture and effectively investigate fraud related information
- 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

### Control framework

- review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisors, is sound and effective
- review whether management has in place relevant policies and procedures, and that these are periodically reviewed and updated
- determine whether the appropriate processes are in place to assess, at least once a year, whether laws, regulations, policies and procedures are complied with
- review whether appropriate policies and procedures are in place for the management and exercise of delegations
- consider how management identifies any required changes to the design or implementation of internal controls
- review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

### 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 agency head (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the agency head
- 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 NSW Treasury Policy and Guidelines Paper *Certifying the Effectiveness of Internal Controls over Financial Information* (TPP 14-05))
- 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 has a performance management framework that is linked to organisational objectives and outcomes.

### Compliance with applicable laws and regulations

- 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 and regulations, and associated government policies.

### Internal audit

- act as a forum for communication between the agency head, senior management and internal and external audit
- review and provide advice to the agency head 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 agency head
- advise the agency head on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan
- oversee the coordination of audit programs conducted by internal and external audit and other review functions

- review audit findings and related recommendations that have been assessed as the most significant according to the risk the audit finding represents to the agency if the recommendation(s) related to the finding are not implemented
- provide advice to the agency head 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 the internal audit charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place
- periodically review the performance of internal audit and the Chief Audit Executive
- provide advice to the agency head on the results of any external assessments of the internal audit function
- provide advice to the agency head on whether the Chief Audit Executive should be a dedicated role within the agency
- provide advice to the agency head on the appointment or replacement of the Chief Audit Executive and recommend to the agency head the appointment or replacement of external internal audit service providers [in the case of an outsourced or co-sourced internal audit function].

### External audit

- act as a forum for communication between the agency, senior management and internal and external audit
- provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided
- review all external plans and reports in respect of planned or completed audits and monitor management's implementation of audit recommendations
- provide advice to the agency head on action taken on significant issues raised in relevant external audit reports and better practice guides.

### 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 NSW public 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 each agency head participating in the shared arrangement or equivalent on its operation and activities during the year. Each report should include:

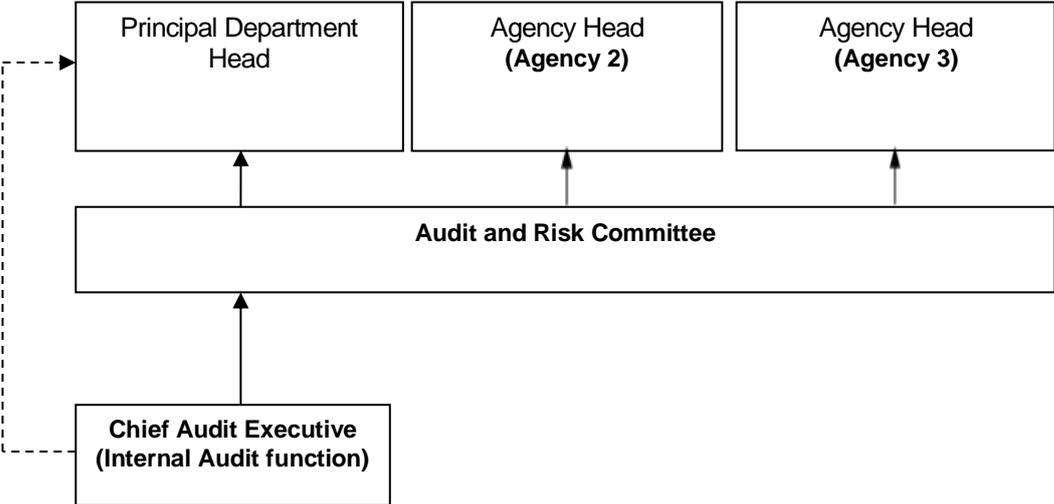
- an overall assessment of the agency's risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the agency
- a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year
- details of 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 each participating entity's agency head 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 any respective participating entity's agency head.

**Reporting Lines**

The Committee must 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 each participating entity’s agency head on functional matters.

The following reporting line is prescribed:



**Administrative arrangements**

**Meetings**

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.

The Chair is required to call a meeting if requested to do so by any participating entity’s agency head, or another Committee member.

A meeting plan, including meeting dates and agenda items, will be agreed by the Committee each year. 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 must consist of at least two (2) independent members.

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

The agency head 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), external audit representatives and any other agency representatives may attend relevant Committee meetings, except where the Committee members wish to have in-camera discussions. The Committee may also request the Chief Finance Officer or other employees of participating entities 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.

## 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 agency heads of participating entities, the Chair may, as a last resort, refer the matter to NSW Treasury to be dealt with independently.

## 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 must 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 Principal Department head stating they do not have any conflicts of interest that would preclude them from being members of the Committee.

Committee members must 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 a real, or perceived, conflict of interest it may be appropriate that they are excused 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 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 head) with appropriate input sought from the participating entities' agency heads, internal and external auditors, Chief Risk Officers (as relevant), management and any other relevant stakeholders, as determined by the Principal Department head.

Arrangements for review of performance should be documented in the Shared Arrangement Agreement.

**Review of charter**

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

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

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Reviewed by agency head or in accordance with a resolution of the Governing Board of the Statutory  
Body

Principal Department (Sign and Date)

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Entity A (Sign and Date)

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Entity B (Sign and Date)

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## Annexure C: Model Subcommittee Charter

Audit and Risk Subcommittees of NSW departments and statutory bodies are required to have a Charter. The charter should be consistent with the content of this 'model charter'. In doing so it is important that each department or statutory body consider carefully its particular circumstances, as there may be additional agency specific requirements that must also be addressed.

### [insert name of] Subcommittee Charter

The [Audit and Risk Committee] has established the [insert name of] subcommittee by way of resolution on [insert date].

This charter sets out the [insert name of] subcommittee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

#### Objective

The objective of the subcommittee is to assist the [Audit and Risk Committee] by:

- [insert details of responsibilities assigned to the subcommittee]

#### Authority

The [agency head], authorises the subcommittee, within the scope of its role and responsibilities, as directed from time to time, 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 any other external parties (subject to confidentiality considerations)
- request the attendance of any employee, including the [agency head], at committee meetings
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the [agency]'s expense subject to the approval of the [agency head]
- [amend as appropriate].

#### Composition and tenure

The subcommittee will consist of at least three (3) members and no more than five (5) members. The [agency head] will appoint the Chair and members of the subcommittee based on a resolution of the Audit and Risk Committee. The Chair of the subcommittee must be an independent prequalified member of the ARC. The Chair is counted as one member of the subcommittee.

Members will be appointed for an initial period not exceeding four (4) years, after which they will be eligible for extension or re-appointment for a further maximum term of four (4) years, after a formal review of their performance [or where non ongoing for a period not exceeding 4 years, insert relevant period].

The agency head, Chief Finance and Accounting Officers and the Chief Audit Executive will not be members of the subcommittee, but may attend meetings as observers as determined by the Chair.

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the [agency]. At least one member of the subcommittee should be a subject matter expert consistent with the purpose of the subcommittee.

## Roles and responsibilities

The subcommittee has no executive powers.

The subcommittee is directly responsible and accountable to the Audit and Risk Committee for the exercise of its responsibilities.

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

The responsibilities of the [insert name] subcommittee are to:

- [insert responsibilities. These may encompass any of the following:
  - oversight of risk management
  - the control framework
  - external accountability
  - compliance with applicable laws and regulations
  - internal audit and external audit.

The Model Charter of the Audit and Risk Committee may be referred to for content.]

## Reporting

The subcommittee will report to the Audit and Risk Committee on its operation and activities during the year. The frequency of reporting shall be as follows:

- [insert frequency of reporting]

Reports should include:

- [insert composition of reports]
- a summary of the work the subcommittee 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.

## Reporting Lines

The subcommittee must at all times ensure it maintains a direct reporting line with the Audit and Risk Committee.

## Administrative arrangements

### Meetings

The subcommittee will meet [insert number] times per year.

The Chair of the subcommittee is required to call a meeting if requested to do so by the Chair of the Audit and Risk Committee or another subcommittee member.

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

### Attendance at meetings and quorums

A quorum will consist of a majority of subcommittee members.

Meetings can be held in person, by telephone or by video conference. The subcommittee may also request the Chief Finance Officer or other employees to attend subcommittee meetings or participate in particular agenda items.

The agency head, members of senior management, internal and external auditors, may be requested to attend subcommittee meetings to participate in specific discussions or provide strategic briefings to the subcommittee as determined by the Chair.

The Chief Audit Executive and external audit representatives will be invited to attend each meeting, unless requested not to do so by the Chair of the subcommittee.

### **Dispute Resolution**

Members of the subcommittee 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 subcommittee and management, including the [agency head], the Chair of the subcommittee should refer the matter to the Chair of the Audit and Risk Committee.

### **Secretariat**

The [agency head] will appoint a person to provide secretariat support to the subcommittee. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, after approval from the subcommittee Chair, at least one (1) week before the meeting, and ensure the minutes of the meetings are prepared and maintained. Minutes must be approved by the subcommittee Chair and circulated within [agreed time frame] and no later than two (2) weeks of the meeting to each member and subcommittee observers, as appropriate. Minutes of the subcommittee must be circulated to the Audit and Risk Committee.

### **Conflicts of interest**

Once a year the subcommittee members will provide written declarations to the [agency head] stating they do not have any conflicts of interest that would preclude them from being members of the subcommittee.

Subcommittee members must 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 subcommittee meetings are deemed to have a real or perceived conflict of interest, it may be appropriate that they are excused from subcommittee deliberations on the issue where a conflict of interest exists.

### **Induction**

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

### **Assessment arrangements**

The Chair of the Audit and Risk Committee must establish a mechanism to review and report on the performance of the subcommittee Chair and each member at least annually to the [agency head]. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair of the Audit and Risk Committee) with appropriate input sought from the [agency head], the internal and external auditors, management and any other relevant stakeholders, as determined by the Chair of the Audit and Risk Committee.

**Review of charter**

At least once a year the subcommittee will review this Charter. This review will include consultation with the Audit and Risk Committee and the [agency head].

Any substantive changes to this Charter must be formally approved by the Audit and Risk Committee.

Reviewed by Chair of [insert name of  
subcommittee] (Sign and Date)

Reviewed in accordance with a  
resolution of the Audit and Risk  
Committee (Sign and Date)

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Reviewed by department head or in  
accordance with a resolution of the  
governing board of a statutory body  
(Sign and Date)

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## Annexure D: Attestation Statement Template (Internal Audit and Risk Management Policy Compliance)

### Internal Audit and Risk Management Attestation Statement for the 20xx-20xx Financial Year for [agency]

I, [agency head] am of the opinion that the [agency] has internal audit and risk management processes in operation that are, excluding the exceptions or transitional arrangements described below, compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

#### Core Requirements

For each requirement, please specify whether compliant, non-compliant, or in transition<sup>18</sup>

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#### Risk Management Framework

- 1.1 The agency head is ultimately responsible and accountable for risk management in the agency
- 1.2 A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009

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#### Internal Audit Function

- 2.1 An internal audit function has been established and maintained
- 2.2 The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing
- 2.3 The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'

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#### Audit and Risk Committee

- 3.1 An independent Audit and Risk Committee with appropriate expertise has been established
- 3.2 The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations
- 3.3 The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'

#### Membership

The chair and members of the Audit and Risk Committee are:

- [Independent] Chair, Name, Start term date, finish term date
- [Independent] Member 1, Name, Start term date, finish term date
- [Non-independent] Member 1, Name, Start term date, finish term date<sup>19</sup>
- etc

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<sup>18</sup> Where an agency notes that it has been 'non-compliant' or 'in transition', the agency head must complete the 'Departure from Core Requirements' section below.

<sup>19</sup> For those agencies with an Audit and Risk Committee that includes non-independent members at the time of commencement of this Policy and Guidelines Paper, agencies will be required to disclose non-independent members on their attestations. As per the TPP15-03 Policy and Guidelines, agencies will have a transition period of two years from the commencement of the policy for the Committee to be reconstituted with independent members only.

This Audit and Risk Committee has been established under a Treasury approved shared arrangement with the following departments/statutory bodies:

- department or statutory body 1
- department or statutory body 2
- [etc.]

**Departures from Core Requirements** (delete section as relevant)

I, [agency head] advise that the internal audit and risk management processes for [agency] depart from the following core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*:

1. The departure from the core requirements is due to the agency implementing measures to achieve compliance with new policy requirements consistent with the permitted transitional arrangements, OR
2. The circumstances giving rise to these departures have been determined by the Portfolio Minister and the [agency] has implemented [or is implementing] the following practicable alternative measures to meet the core requirements<sup>20</sup>:

Departure	Reason for departure and description of practicable alternative measures implemented/being implemented
<b>Non-Compliance</b>	
<ul style="list-style-type: none"> <li>• Core Requirement X</li> </ul>	<ul style="list-style-type: none"> <li>▪ Detailed description of circumstances giving rise to departure(s)</li> <li>▪ Detailed description of the practicable alternative measures implemented / being implemented to achieve equivalent level of assurance</li> </ul>
<b>In Transition</b>	
<ul style="list-style-type: none"> <li>• Core Requirement X</li> </ul>	<ul style="list-style-type: none"> <li>▪ Detailed description of the steps being taken to achieve compliance</li> </ul>

These processes, including the practicable alternative measures [being] implemented, demonstrate that the [agency] has established and maintained frameworks, including systems, processes and procedures for appropriately managing audit and risk within the [agency].

\_\_\_\_\_  
[Agency head] or in accordance with a resolution of the  
Governing Board of the Statutory Body  
(Sign and Date)

\_\_\_\_\_  
Agency Contact Officer  
(Role and contact details)

<sup>20</sup> A copy of the relevant Ministerial Determination which supports the agency's departure from one or more of the Core Requirements must be included with the Attestation Statement.

## Annexure E: Ministerial Determination Template

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### [Agency] compliance with the Internal Audit and Risk Management Policy for the NSW Public Sector

I, [Portfolio Minister] am of the opinion that [agency] has internal audit and risk management processes in operation that are, excluding the exceptions described below, compliant with the core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*.

I, [Portfolio Minister] understand that the following core requirements of *Internal Audit and Risk Management Policy (TPP 15-03)* have not been met:

Core Requirement	Reason for non-compliance with the core requirement

I note that the following alternative arrangements have been implemented to achieve outcomes equivalent to the requirement(s):

Summary of alternative arrangements	How the alternative arrangements will achieve equivalent outcomes

I, [Portfolio Minister] am of the opinion that the practicable alternative measures implemented demonstrate that the [agency] has established and maintained frameworks, including systems, processes and procedures for appropriately managing audit and risk within the [agency].

This exception to the core requirements of the *Internal Audit and Risk Management Policy for the NSW Public Sector (TPP15-03)* is valid for the financial year(s) (20XX-20XX)<sup>21</sup>

Portfolio Minister

(Sign and Date)

Agency Contact Officer

(Role and contact details)

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<sup>21</sup> Exceptions may be sought for a maximum of two financial years.