



Biodiversity  
Conservation  
Trust

# AUDIT & RISK COMMITTEE CHARTER

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## 1. INTRODUCTION

The NSW Biodiversity Conservation Trust (BCT) Board has established the Audit and Risk Committee (ARC) in compliance with NSW Government policy.

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

## 2. OBJECTIVE

The objective of the ARC is to provide independent assistance to the Board by monitoring, reviewing and providing advice about the BCT governance processes, risk management and control frameworks, and external accountability obligations.

## 3. AUTHORITY

The Board authorises the ARC, within the scope of its role and responsibilities, to:

- a) obtain any information needed from any employee and/or external party (subject to their legal obligation to protect information)
- b) discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations)
- c) request the attendance of any employee or Board members at ARC meetings
- d) obtain external legal or other professional advice, as considered necessary to meet responsibilities (the payment of costs for that advice by the BCT is subject to prior approval from the Board).

## 4. COMPOSITION AND TENURE

The Board will appoint the Chair and members of the ARC, consisting of at least three (3) members, and no more than five (5) members.

Members will be appointed for an initial period not exceeding three years, after which they will be eligible for extension or re-appointment for a further two terms subject to a review of their performance by the Board (noting that a total term on the ARC will not exceed nine years).

At least one member of the ARC must have accounting or related financial management experience with an understanding of accounting and auditing standards in a public-sector environment.

## 5. ROLES AND RESPONSIBILITIES

The ARC has limited executive powers and is directly responsible and accountable to the Board for the exercise of responsibilities. In carrying out its responsibilities, the ARC must at all times recognise that primary responsibility for management of the BCT rests with the Board.

The responsibilities of the ARC may be revised or expanded in consultation with, or as requested by, the Board from time to time. The ARC is able to approve non-material amendments to Board approved policies, frameworks or other relevant documents within the ARC's purview.

The ARC is responsible for ensuring that BCT management has appropriate governance arrangements in place and operating in relation to risk management, financial management, legal compliance, internal audit and external audit. The ARC will provide advice on these matters to the full Board as required, especially in relation to any identified governance weaknesses or failures.

Specifically, the ARC responsibilities are as follows.

### 5.1 Risk management

- a) maintain the BCT's risk appetite statement and provide advice to the Board
- b) review whether management has in place a current and appropriate risk management framework that is consistent with AS/NZS ISO 31000:2009
- c) review risk management plans and provide advice to the Board (including in relation to information technology and cyber-security risks)
- d) seek assurance from management and Internal Audit that risk management processes are operating effectively
- e) seek assurance from management and Internal Audit as to the adequacy and effectiveness of internal controls
- f) review risk reports, including the risk register, and provide advice to the Board
- g) review whether a sound and effective approach has been followed in developing risk management plans for major programs
- h) review the impact of the BCT's risk management on its control environment and insurance arrangements
- i) review the BCT's fraud control plan and be satisfied that it has appropriate processes and systems in place to capture and effectively investigate fraud related information
- j) review whether a sound and effective approach has been followed in establishing the BCT's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically.

## 5.2 Financial management

- a) review whether management (and the service providers) have adequate policies, procedures and controls to ensure a rigorous and accurate financial management and reporting system
- b) evaluate the integrity of financial data and accuracy of financial reporting
- c) review budgets and financial management reports prior to their consideration by the full Board
- d) assess the policies and procedures for management review and consideration of the financial position and performance of the BCT including the frequency and nature of that review (including the approach taken to address variances and budget risks)
- e) review procedures and draft financial statements around early close and year-end
- f) review and approve early close financial statements, providing a copy of the approval to the Board
- g) review the year-end financial statements and provide advice to the Board (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the Board
- h) verify that the financial statements are supported by appropriate management signoff on the statements
- i) 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))
- j) review cash management policies and procedures
- k) review policies and procedures for collection, management and disbursement of grants and tied funding
- l) review the processes in place designed to ensure that financial information included in the BCT's annual report is consistent with the signed financial statement.

## 5.2 Conformance

- a) review the effectiveness of the system for monitoring that the BCT is conforming with applicable laws and regulations, and associated government policies
- b) determine whether management has appropriately considered legal and compliance risks as part of the BCT's conformance management framework and plan
- c) review whether management's approach to maintaining an effective internal control framework is sound and effective, including for all service providers
- d) review whether management has in place relevant policies and procedures, and that these are periodically reviewed and updated
- e) determine whether the appropriate processes are in place to assess, at least twice each year, whether laws, regulations, policies and procedures are complied with
- f) review whether appropriate policies and procedures are in place for the management and exercise of delegations

- g) consider how management identifies any required changes to the design or implementation of internal controls
- h) review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

#### 5.5 Internal audit

- a) act as a forum for communication between the Board, senior management and internal audit
- b) review and provide advice to the Board on the internal audit policies and procedures
- c) review the risk based audit methodology
- d) review the internal audit coverage and annual work plan, ensure the plan is based on the BCT's risk management plan, and recommend approval of the plan by the Board
- e) advise the Board on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan
- f) oversee the coordination of audit programs conducted by internal audit and other review functions
- g) review audit findings and related recommendations that have been assessed as the most significant according to the risk the audit finding represents to the BCT if the recommendation(s) related to the finding are not implemented
- h) provide advice to the Board on significant issues identified in audit reports and action taken on these issues, including identification and dissemination of good practice
- i) monitor management's implementation of internal audit recommendations
- j) review the internal audit charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place
- k) periodically review the performance of internal audit and the Chief Audit Executive
- l) provide advice to the Board on the results of any external assessments of the internal audit function
- m) provide advice to the Board on whether the Chief Audit Executive should be a dedicated role within the BCT
- n) provide advice to the Board on the appointment or replacement of the Chief Audit Executive and recommend to the Board the appointment or replacement of internal audit service providers [in the case of an outsourced or co-sourced internal audit function].

#### 5.6 External audit

- a) act as a forum for communication between the Board, senior management and external audit
- b) provide input and feedback on the financial statements and performance audit coverage proposed by external audit and provide feedback on the audit services provided
- c) 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 Board on action taken on significant issues raised in relevant external audit reports and better practice guides.

## 6. RESPONSIBILITIES OF MEMBERS

Members of the ARC are expected to understand and observe the requirements of the *Internal Audit and Risk Management Policy for the NSW Public Sector* (TPP15-03). Members are also expected to:

- a) make themselves available as required to attend and participate in meetings
- b) contribute the time needed to study and understand the papers provided
- c) apply good analytical skills, objectivity and good judgement
- d) abide by the relevant ethical codes that apply to the ARC
- e) express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of enquiry.

## 7. REPORTING

The ARC will report to the Board annually on its operation and activities. The reports should include:

- a) an assessment of the BCT's risk, financial management and conformance frameworks, including details of any significant emerging risks
- b) a summary of the work the ARC performed to discharge its responsibilities
- c) details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended
- d) a summary of the BCT's progress in addressing the findings and recommendations made in internal and external audit reports
- e) a summary of the ARC's assessment of the performance of internal audit.

The ARC may, at any time, report to the Board on any other matter it deems of sufficient importance to do so.

## 8. REPORTING LINES

The ARC must at all times ensure it maintains a direct reporting line to and from the Chief Audit Executive and act as a mechanism for internal audit to report to the Board.

The following reporting line is prescribed:



## 9. ADMINISTRATIVE ARRANGEMENTS

### 9.1 Meetings

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

The Chair is required to call a meeting if requested to do so by the Board, or another ARC member. A meeting plan, including meeting dates and agenda items, will be agreed by the ARC each year.

The meeting plan will cover all of the ARC's responsibilities as detailed in this charter.

## 9.2 Attendance at meetings and quorums

A quorum will consist of a majority of ARC members.

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

Other Board members may attend the meetings of the ARC. If necessary, ARC members are able to have in-camera discussions. The Chief Audit Executive, Chief Risk Officer (as relevant), external audit representatives, internal audit representatives, and any other BCT representatives may attend ARC meetings, except where the ARC members wish to have in-camera discussions. The ARC may also request the Chief Financial Officer, or delegate, or other employees to attend ARC meetings or participate for certain agenda items.

## 9.3 Secretariat

The BCT's Board Secretary will provide secretariat support to the ARC. The Board Secretary will ensure the agenda for each meeting and supporting papers are circulated at least one week before the meeting and ensure the minutes of the meetings are prepared and maintained.

ARC minutes including any attachments shall be circulated to all members (and meeting observers as appropriate) not later than five working days following the meeting. ARC minutes will be endorsed as a complete and accurate record by the ARC Chair and submitted for inclusion in the papers presented at the next Board meeting.

By agreement of the ARC, out-of-session decisions will be verified in subsequent in-session meetings. Where agreed, out-of-session decisions shall be recorded in the minutes of the next scheduled ARC meeting.

The minutes of each ARC meeting will be monitored and maintained by the Board Secretary for archiving purposes.

## 9.4 Conflicts of interest

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

## 9.5 Induction

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

## 9.6 Assessment arrangements

The Board, in consultation with the Chair of the ARC, will establish a mechanism to review and report on the performance of the ARC, including the performance of the Chair and each member, at least biennially. The review will be conducted on a self-assessment basis (unless otherwise determined by the Board) with appropriate input sought from the Board, the internal and external auditors, the Chief Risk Officer, Chief Audit Executive, management and any other relevant stakeholders, as determined by the Board.

## 9.7 Review of charter

At least biennially the ARC will review this Charter. This review will include consultation with the Board. Any substantive changes to this Charter will be recommended by the ARC and formally approved by the Board.