

# **Biodiversity Conservation Trust**

**Audit and Risk Committee Charter**

## NSW Biodiversity Conservation Trust

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# 1. Introduction

The NSW Biodiversity Conservation Trust (BCT) Board has established the Audit and Risk Committee (ARC) in compliance with the International Professional Practices Framework issued by the Institute of Internal Auditors Australia<sup>1</sup> and the *Internal Audit and Risk Management Policy for the General Government Sector* (TPP 20-08).

The ARC Charter sets out the ARC's 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's governance processes, risk management and control frameworks, and its external accountability obligations.

## 3. Authority

The Board authorises the ARC, 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 or Board members at ARC meetings.
- Obtain external legal or other professional advice, as considered necessary to meet its responsibilities. The payment of costs for that advice by the BCT is subject to prior approval from the Board.

## 4. Composition and Tenure

The ARC will consist of at least three (3) members, and no more than five (5) members, appointed by the Board. The Chair is counted as one member of the ARC. 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 ARC will not exceed eight (8) years).

The Chair shall be appointed for one (1) term only for a period of at least three (3) years, with a maximum period of five (5) years. The term of appointment for the Chair can be extended but any extension shall not cause the total term to exceed five (5) years as a Chair of the ARC.

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<sup>1</sup> Including the International Standards for the Professional Practice of Internal Auditing

Current employees of all NSW Government sector agencies other than State Owned Corporations cannot serve as members or chairs of an Audit and Risk Committee.

Members should collectively possess, develop and maintain a broad range of skills and experience:

- In accordance with the requirements of TPP20-08 regarding qualifications of members<sup>2</sup>.
- Relevant to the operations, governance and financial management of the BCT, the environment in which the BCT operates and the contribution that the ARC makes to the BCT.

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

## **5. Roles and Responsibilities**

The ARC has no executive powers. The ARC is directly responsible and accountable to the Board for the exercise of its 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 accountability, external accountability, conformance (compliance and ethics), 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**

- Review whether management has in place a current and appropriate risk management framework that is consistent with *AS ISO 31000:2018 Risk Management - Guidelines*.
- Assess and advise on the maturity of the BCT's risk management framework and risk culture.
- Consider the adequacy and effectiveness of the internal control and risk management frameworks by reviewing reports from management, internal audit and external audit, and by monitoring management responses and actions to correct any noted deficiencies.
- Review the impact of the BCT's risk management on its control environment and insurance arrangements.
- Maintain the BCT's risk appetite statement and provide advice to the Board.
- Review the BCT's fraud and corruption control framework including the fraud and corruption

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<sup>2</sup> Clause 3.1.12 of TPP20-08 sets out the skills and knowledge, and training and development, requirements of members

control plan and be satisfied that the BCT has appropriate processes and systems in place to capture and effectively investigate fraud- and corruption-related information.

- Seek assurance from management that emerging risks, and identified state-wide risks (including, but not limited to, climate risk and cyber risk) are being identified and addressed.
- Seek assurance from management and the internal audit function that risk management processes are operating effectively, including that relevant internal control policies and procedures are in place and that these are periodically reviewed and updated.
- Review whether a sound and effective approach has been followed in developing risk management plans for major projects, programs or undertakings.
- Review whether a sound and effective approach has been followed in establishing the BCT's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically.

## 5.2 External accountability (financial management)

- 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 addressing variances and budget risks).
- Review procedures around early close and year end.
- Review the 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.
- Satisfy itself that the financial statements are supported by appropriate management sign-off on the statements.
- Review the Chief Financial Officer Letter of Certification and supporting documentation (consistent with Treasury Policy Certifying the Effectiveness of Internal Controls Over Financial Information [TPP17-06]).
- 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 BCT's annual report is consistent with the signed financial statements.
- Satisfy itself that the BCT appropriately measures and reports on its performance against objectives and State Outcomes. This includes consideration of Outcomes Budgeting measures such as Outcome Indicators and Program Performance Measures.
- Review and endorse the annual budget to the Board.

### 5.3 Conformance (compliance and ethics)

- Determine whether management has appropriately considered legal and compliance risks as part of the BCT's risk assessment and management arrangements.
- Review the effectiveness of the system for monitoring the BCT's compliance with applicable laws and regulations, and associated government policies.
- Seek assurance that the appropriate exercise of delegations is monitored and reviewed.
- Seek assurance that changes in key laws, regulations, internal policies and Accounting Standards affecting the BCT's operations are being monitored at least once a year, and appropriately addressed.
- Review the BCT's process for communicating the Code of Ethics and Conduct for NSW Government Sector Employees and the Department of Planning and Environment Code of Ethics and Conduct to staff and seek assurance as to compliance with the codes.
- Review policies and processes for identifying, analysing and addressing complaints.
- Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

### 5.4 Internal audit

- Act as a forum for communication between the Board, senior management, and internal audit.
- Review and provide advice to the Board on the Internal Audit Quality Assurance and Improvement Program (QAIP), including the Internal Audit Manual (IAM).
- Review the risk-based audit methodology.
- Review the three-yearly Strategic Internal Audit Plan (SIAP), and the Annual Internal Audit Plan (AIAP), ensuring internal audit coverage and planning is contextualised to the BCT's risk environment and meets the requirements of the International Professional Practices Framework.
- Advise the Board on the adequacy of internal audit resources to deliver the requirements of the internal audit function, including the QAIP, IAM, SIAP and AIAP, and contract management responsibilities in relation to the BCT's internal audit services provider
- Review audit findings, related recommendations and agreed management actions, particularly those findings that have been assessed as a high risk if audit recommendations are not implemented.
- 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.
- Monitor management's implementation of internal audit recommendations.
- Review and endorse the Internal Audit Charter including ensuring the appropriate organisational structures, authority, access to senior management and the Audit and Risk

Committee, and reporting arrangements are in place.

- Provide advice to the Board on the results of any external assessments of the internal audit function.
- Provide advice to the Board on the appointment or replacement of the Chief Audit Executive.
- Recommend to the Chief Executive Officer and the Board the appointment or replacement of the BCT's outsourced internal audit service providers<sup>3</sup>
- Provide advice to the Board on the performance of the BCT's outsourced internal audit service provider, in consultation with the Chief Audit Executive (including with reference to contract management outcomes as advised by the Chief Audit Executive)<sup>4</sup>.
- Provide input into the annual performance assessment process of the Chief Audit Executive and the internal audit function.

## 5.5 External audit

- Act as a forum for communication between the BCT, senior management and internal and external audit.
- Provide feedback on the financial audit coverage proposed by external audit and be informed of planned performance audit scope prior to commencement.
- Review all external plans and reports (including management letters) in respect of planned or completed audits and monitor management's implementation of audit recommendations.

# 6. Responsibilities of Members

Members of the ARC are expected to understand and observe the requirements of the International Professional Practices Framework and the *Internal Audit and Risk Management Policy for the General Government Sector* (TPP20-08). Members are also expected to:

- Make themselves available as required to attend and participate in meetings.
- Contribute the time needed to study and understand the papers provided.
- Apply good analytical skills, objectivity and good judgement.
- Abide by the relevant ethical codes that apply to employment within the General Government Sector.
- Express opinions frankly, constructively challenge management practices and information, ask questions that go to the fundamental core of the issue and pursue

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<sup>3</sup> The BCT outsources its internal audit function to an external internal audit service provider. In relation to the procurement of the BCT's internal audit service provider, a member of the ARC shall represent the ARC on any tender evaluation panel established as part of the procurement process

<sup>4</sup> Ibid



independent lines of enquiry.

## **7. Reporting**

The ARC will regularly, but at least once a year, report to the Board on its operation and activities during the year. The report should include:

- An overall assessment of the BCT's risk, control and conformance framework, including details of any significant emerging risks or legislative changes impacting the BCT.
- A summary of the work the ARC 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 BCT's progress in addressing the findings and recommendations made in internal and external audit reports.
- A summary of the ARC's input into the assessment of the performance of the Chief Audit Executive and the internal audit function.

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

## **8. Reporting lines**

The ARC 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 the Board on functional matters.

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



\*Note: Internal audit is responsible for providing assurance to the Accountant Authority and the Audit and Risk Committee on the effectiveness of the risk management framework. However, all agencies are encouraged to nominate a CRO who is responsible for the oversight and promotion of risk management within the agency, designing the agency's risk management framework and for the day-to-day activities of embedding the framework in the agency. The CRO or risk management function should report to either the Accountant Authority or a direct report to the Accountant Authority, such as a member of the executive with responsibility for governance or planning, so that independence of risk management from line management is maintained.

## 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 and the BCT at the beginning of each financial year. The estimated total remuneration per Independent Chair and Member will be determined based on the estimated number of meetings and monitored by the BCT. The meeting plan will cover all 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.

Other Board members may attend the meetings of the ARC as observers. For the purposes of a quorum, any suitably pre-qualified and independent BCT Board Members may attend any meeting of the ARC and serve as an ARC member for the purposes of that meeting.

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

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.

All attendees are responsible and accountable for maintaining the confidentiality of the information they receive during the course of these meetings.

The ARC will meet separately with both the internal and external auditors at least once a year.

### 9.3 Dispute resolution

Members of the ARC and the BCT'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 ARC and management, including the Board, the Chair may, as a last resort, refer the matter to Treasury to be dealt with independently.

### 9.4 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, after approval from the Chair, at least one (1) 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) as soon as practical following the meeting. ARC minutes will be endorsed as a complete and accurate record by the ARC and included in the papers at the next quarterly ARC 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 records management purposes.

### 9.5 Conflicts of interest

Once a year, ARC members will provide written declarations to the Board stating that they do not have any conflicts of interest that would preclude them from being members of the ARC.

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 an actual, or perceived, conflict of interest the Chair (or a quorum of the ARC if the conflict of interest arises from the Chair) may excuse them from ARC deliberations on the issue where a conflict of interest exists.

### 9.6 Induction

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

## 9.7 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 annually. 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 (as relevant), Chief Audit Executive, management and any other relevant stakeholders, as determined by the Board.

## 10. Review

This Charter will be reviewed annually by the ARC. The 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.