

Annexure A

Local Land Services Audit, Risk and Governance Committee Charter⁴⁵

The Local Land Services ('LLS') Board of Chairs (BOC) has established the Audit, Risk and Governance Committee ('the Committee') in compliance with the *Internal Audit and Risk Management Policy for the NSW Public Sector TPP 15-03*

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 BOC by monitoring, reviewing and providing advice about the LLS's governance processes, risk management and control frameworks, and its external accountability obligations.

Authority

The BOC* authorises the Committee, within the scope of its role and responsibilities, to:

- obtain any information it needs from any employee and/or external party (subject to their legal 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 Chair of the BOC, or any BOC or Regional Board member at committee meetings; and
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities. The payment of costs for that advice by LLS is subject to the prior approval of the Chair of the BOC.

Composition and tenure

The Committee, with no more than 5 members appointed by the BoC, will consist of:

- an independent chair;
- two (2) independent members appointed on the recommendation of the Chair of the Committee; and
- two (2) members of the BOC,

Members will be appointed for an initial period no less than three (3) years and not exceeding five (5) years, after which they will be eligible for extension or re-appointment for a further term(s) subject to a formal review of their performance (noting that the total term on the Committee will not exceed eight (8) years).

The chair 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.

All members of the Committee must be prequalified or become prequalified within six (6) months of appointment.

Current employees of all NSW government sector agencies⁴⁷ 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 LLS, the environment in which LLS operates and the contribution that the Committee makes to the LLS. 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 the BOC for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of the LLS rests with the Executive State Operations, with governance oversight by the BoC

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

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

External accountability

- assess the policies and procedures for management review and consideration of the financial position and performance of the LLS 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 BOC (including whether appropriate action has been taken in response to audit recommendations and adjustments), and recommend their signing by the Chair of the BOC;
- 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 LLS's annual report is consistent with the signed financial statements;
- satisfy itself that the LLS has a performance management framework that is linked to organisational objectives and outcomes; and
- Satisfy itself that LLS has appropriate controls in place to ensure all statutory reporting is complied with in a timely manner.

Compliance with applicable laws and regulations and policies

- determine whether management has appropriately considered legal and compliance risks as part of the LLS's risk assessment and management arrangements;
- review the effectiveness of the system for monitoring LLS's compliance with applicable laws and regulations, and associated government policies, including but not limited to those relating to GIPA, Conflicts of Interest, ICAC;
- review procedures for ensuring that all Chairs, Board members and staff are aware of compliance requirements;

Internal audit

- act as a forum for communication between the BOC, senior management and internal and external audit;
- review and provide advice to the BOC 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 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 LLS if the recommendation(s) related to the finding are not implemented;
- provide advice to the BOC 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 BOC on the results of any external assessments of the internal audit function;
- provide advice to the BOC on whether the Chief Audit Executive should be a dedicated role within LLS;
- provide advice to the Executive Director on the appointment or replacement of the Chief Audit Executive and recommend to the Executive Director 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 BOC 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; and
- provide advice to the Chair of the BOC 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; and
- 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 the BOC on its operation and activities during the year. The report should include:

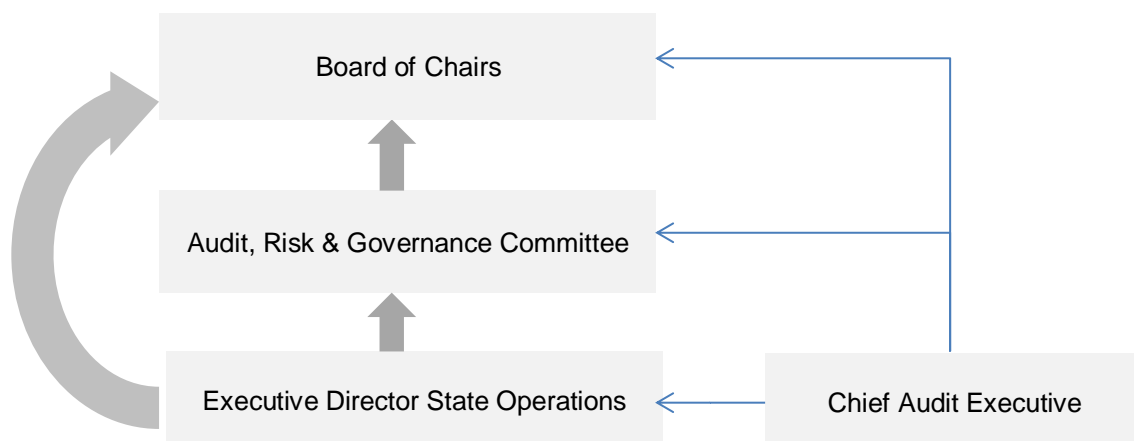
- an overall assessment of the LLS risk, control and compliance framework, including details of any significant emerging risks or legislative changes impacting the LLS
- a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- details of meetings, including the number of meetings held during the relevant period, and the number of meetings each member attended;
- a summary of the progress in addressing the findings and recommendations made in internal and external reports; and
- a summary of the Committee's assessment of the performance of internal audit.

The Committee may, at any time, report to the BOC 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 BOC.

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 the BOC 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 the LLS's annual financial statements.

The chair is required to call a meeting if requested to do so by the Chair of the BOC 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 include at least two (2) independent members.

If the Chair of the Committee is unable to attend, he may appoint one of the independent members to act as chair for that meeting. The Chair of the Committee should inform the Head of the BOC of that appointment.

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

The Chair of the BOC may attend the meetings of the Audit and Risk Committee. Committee members, if necessary, are able to have in-camera discussions. The Chief Audit Executive, Chief Risk Officer (as relevant), external audit representatives and any other LLS representatives may attend 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 attend committee meetings or participate for certain agenda items.

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

Dispute Resolution

Members of the Committee and LLS'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 Chair of the BOC, the chair may, as a last resort, refer the matter to NSW Treasury to be dealt with independently.

Secretariat

The Chair of the BOC will appoint a person to provide secretariat support to the Committee. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, after approval from the Chair of the Committee, 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 5 business days 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 Chair of the BOC 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 Chair of the BOC in consultation with the chair of the Committee, will establish a mechanism to review and report on the performance of the Committee, including the performance of the chair and each member, at least annually. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair of the BOC) with appropriate input sought from the Chair of the BOC, the internal and external auditors, the Chief Risk Officer (as relevant), management and any other relevant stakeholders, as determined by the Chair of the BOC.

Review of charter

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

Any substantive changes to this Charter will be recommended by the Committee and formally approved by the Chair of the BOC

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

Reviewed by Chair of the BOC or in accordance with a resolution of the Governing Board of the
Statutory Body (Sign and Date)
