

TERMS OF REFERENCE

1. OBJECTIVES

The primary objective of the Audit and Risk Committee (**the ARC**) of the Legal Services Council (**the LSC**) is to assist the LSC and Commissioner in exercising due care, diligence and skill in managing LSC's risk, control and compliance framework and financial reporting responsibilities.

2. ROLE AND COMPOSITION OF THE ARC

The ARC is established as a committee of the LSC to monitor and review the effectiveness and efficiency of the processes of the LSC and the Commissioner. The role of the Committee is to oversee:

- The management of risks and the monitoring of the effectiveness of internal controls over operations;
- The preparation of financial statements and reports;
- The monitoring of legislative and policy compliance; and
- The conduct of internal and external audits.

The members of the ARC shall be appointed by the LSC and shall consist of not less than three members, being two LSC members and one external, independent member.

The Chair of the ARC will be appointed by the LSC, with consideration being given to rotating the position. In addition:

- the LSC's CEO/Commissioner may attend meetings of the ARC but is not entitled to vote at a meeting; and
- at least one person on the ARC shall have a comprehensive financial background. Where this person is a LSC member, the ARC appointment shall be made for the entire term of their LSC appointment.

In the event of a vacancy in the position of the person with a comprehensive financial background, the ARC may continue to meet and perform its functions, by appointing another LSC member, or by co-opting an external person, to the ARC until a suitable replacement is found.

3. TERM OF MEMBERSHIP

Subject to section 2, *Role and Composition of ARC*, the term of membership of LSC members on the ARC shall be for 3 years or for the duration of their LSC appointment, whichever is the shorter. Membership of the Committee shall automatically cease in line with the cessation of LSC membership.

The external independent member shall be appointed for a 3 year term. External experts may be engaged to assist the ARC as required.

4. MEETINGS

The ARC shall meet or confer at least three times per year and additionally as the ARC considers necessary. A special meeting may be held to review the LSC's annual financial statements.

The ARC will convene any additional meetings that may be requested by the internal or external auditors.

The ARC may invite other people to attend as it sees fit, including:

- LSC secretariat staff.
- Officers from the Department of Justice of the participating jurisdictions.

The members shall meet separately with external auditors at least once per annum.

The ARC may convene an in-camera session if necessary or desired.

All ARC members are expected to attend each meeting in person or through other approved means such as teleconferencing or video conferencing.

The ARC may transact any of its business by the circulation of papers among all members of the ARC, and a resolution in writing, approved in writing by a majority of members, is taken to be a decision of the ARC.

The Secretariat will assist the Chair to develop the agenda and annual calendar program.

5. AUTHORITY

The LSC and Commissioner authorises the ARC, within its responsibilities, to:

- conduct or authorise investigations into matters within the ARC's scope of duties and responsibilities;
- obtain any information it requires from any employee or external party (subject to any 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 at ARC meetings;
- resolve any disagreements between the CEO/Commissioner and the external or internal auditor; and,
- after consultation with the CEO/Commissioner, obtain legal or professional advice, as considered necessary to meet its responsibilities.

The ARC may undertake any matters as requested by the LSC, CEO /Commissioner.

6. DUTIES AND RESPONSIBILITIES

The ARC's duties and responsibilities include:

Risk management:

Risk management is the responsibility of the CEO/Commissioner.

- Review whether management has in place a current risk management framework and associated procedures for effective identification and management of the LSC's and Commissioner's business and financial risks, including fraud.
- Review the risk register at least annually.
- Consider the requirements of the annual risk attestation process and recommend to the LSC/CEO/Commissioner whether the statement may be signed.
- Review and assess the adequacy of the processes used to establish the business continuity plans and whether these and the disaster recovery plans have been periodically updated and tested.

Internal control

- Review annually whether management's approach to maintaining an effective internal control framework, including over external parties such as delegates and contractors, is sound and effective.
- Review whether management has in place relevant policies and procedures and whether these are reviewed and updated periodically.
- Determine whether appropriate processes are in place to assess, at least annually, whether key policies and procedures are complied with.
- Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.

Financial statements

- Review annually major changes in accounting policies and Accounting Standards and determine the effect of those changes on financial statements.
- Ensure that the financial statements are supported by appropriate management sign-off.
- Review the annual financial statements and recommend approval by the LSC/CEO/Commissioner.
- Review the processes in place to ensure that financial information included in the annual report is consistent with the signed financial statements.

Legislative and policy compliance

- Review the effectiveness of processes of the LSC and the Commissioner for complying with the [Financial Management and System Certification](#) and other Government directions.
- Review processes for monitoring compliance with relevant laws and regulations.
- Review processes for monitoring and reviewing the exercise of the functions of the Commissioner.

Internal and External audit

The NSW Audit Office is the prescribed external auditor.

- Consider and make recommendations to the LSC as to whether an internal or other audit activity should be undertaken.
- Make recommendations to the LSC/CEO/Commissioner on the appointment, remuneration and monitoring of the effectiveness and independence of the internal and external auditors.

Other responsibilities

- Perform other activities related to this charter as requested by the LSC.
- To review and recommend the Triennial budget to the LSC.
- Confirm annually that responsibilities in these Terms of Reference have been fulfilled.
- Evaluate the ARC's performance annually.
- Prepare a report to the LSC and Commissioner that summarises the activities of the ARC.

7. QUORUM

The quorum for the ARC will be two (2) members.

In the event of the Chair's absence from a meeting, the members present will select a Chair for that meeting.

8. REPORTING

A nominated person shall act as Secretary of the ARC.

Following approval by the Chair of the ARC, the Secretary shall circulate the minutes of meetings of the ARC to all members of the Committee within ten working days of the Committee meeting.

The ARC is to report to the LSC following each Committee meeting. The manner of reporting may be by distribution of a copy of the minutes supplemented by other necessary information, including recommendations requiring LSC action and/or approval.

9. CONFLICTS OF INTEREST

ARC members will be invited to disclose conflicts of interest at the commencement of each meeting.

Ongoing conflicts of interest need not be announced at each meeting after they have been recorded.

Where members or invitees are deemed to have a real or perceived conflict of interest, they will be excused from Committee discussions on the issue where such conflict exists.