

## LEGAL SERVICES COUNCIL – AUDIT AND RISK COMMITTEE

### TERMS OF REFERENCE

#### 1. OBJECTIVES

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

#### 2. ROLE AND COMPOSITION OF THE ARC

The ARC is established as a committee of the Council to monitor and review the effectiveness and efficiency of the processes of the Council and the Commissioner.

The role of the ARC 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 Council and shall consist of not less than three members, being two Council members and one external, independent member.

At least one person on the ARC shall have a comprehensive financial background. Where this person is a Council member, the ARC appointment shall be made for the entire term of their Council 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 Council member or an external person to the ARC until a suitable replacement is found.

The Chair of the ARC will be appointed by the Council, with consideration being given to rotating the position.

The Council's CEO/Commissioner may attend meetings of the ARC but is not entitled to vote at a meeting.

#### 3. TERM OF MEMBERSHIP

Subject to section 2, the term of appointment of Council members to the ARC shall be for three years or for the duration of their Council appointment, as determined by the Council. Membership of the ARC shall automatically cease in line with the cessation of Council membership.

The external independent member shall be appointed for a three year term.

The Council may reappoint members of the ARC.

After consultation with the CEO/Commissioner, 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 Council'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:

- Secretariat staff
- officers from the Department of Justice of the participating jurisdictions.

The ARC will meet with external auditors at least once per annum.

The ARC may convene an *in camera* meeting 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 develop the agenda for each meeting.

#### **5. AUTHORITY**

The Council and Commissioner authorise 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 matter with the external auditor, or other external parties (subject to confidentiality considerations)
- request the attendance of any member of the Secretariat 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 further work requested by the Council or CEO/Commissioner.

#### **6. DUTIES AND RESPONSIBILITIES**

##### **Risk management**

Risk management is the responsibility of the CEO/Commissioner and the Council. The duties and responsibility of the ARC are to:

- Review whether management has in place a current risk management framework and associated procedures for effective identification and management of the Council's and Commissioner's business and financial risks, including fraud and cyber security.
- Review the risk register at least annually.
- Review whether a sound and effective approach has been followed in establishing the Council's business continuity planning arrangements, including whether these have been tested periodically.

#### **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 relevant policies and procedures in place 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 standards to 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 Council/ 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 Council and 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 Council as to whether an internal audit or other audit activity should be undertaken.
- Make recommendations to the Council/ 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 these terms of reference as requested by the Council.
- Review and make recommendations to the Council about the triennial budget.

- Confirm annually that responsibilities in these terms of reference have been fulfilled.
- Evaluate the ARC's performance annually.
- Provide the Council and Commissioner with updates on the work of the ARC.

## **7. QUORUM**

The quorum for the ARC is two members.

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

## **8. REPORTING**

The Secretariat shall circulate the minutes of meetings of the ARC to all members of the ARC within ten working days of the meeting.

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

## **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 ARC discussions on the issue where such conflict exists.