

Audit and Risk Management Committee

Terms of Reference

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OFFICIAL



DOCUMENT INFORMATION

This is a document controlled by the Chair of the Audit and Risk Management Committee.

VERSION HISTORY

The following outlines the high-level changes that have been made to each version of this document and who made them:

Version	Notes	Changes made by	Date
1	Approved by Rachel Hunter, DG	Rachel Hunter	17 December 2009
2	Minor amendments	Leon Smith	8 January 2010
3	2010-11 review and amendments	Leon Smith	
4	Amendments to include new DG, new member and position name changes	Ben Madden	April 2011
5	Comprehensive revision of Terms of Reference	Brian Cavanagh	September 2013
6	Approved by BOM	Alison Gardiner	13 November 2013
7	Minor change to membership as per BOM decision 5 February 2014 ((replace DDG LGFT with ED OLGR))	Alison Gardiner	12 February 2014
8	Amendment to position title – Commissioner to Deputy Director-General, Queensland Corrective Services	Jahna Owen	10 September 2014
9	Comprehensive review of Terms of Reference	Leon Smith	12 May 2017
10	Amendments post 2017 MOG	Leon Smith	4 January 2018
11	Comparison to Queensland Treasury's 2020 Audit Committee Guidelines	Leon Smith	21 June 2022
12	Strengthening ARMC's external membership	Leon Smith	27 September 2023

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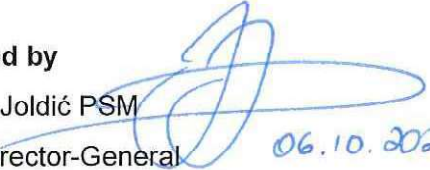
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REVIEW DATE

This document will be reviewed every year from date of approval.

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1. TERMS OF REFERENCE

This Terms of Reference for the Department of Justice and Attorney-General Audit and Risk Management Committee has been endorsed by the Department's Board of Management and approved by the Director-General.

The Terms of Reference outline the role, responsibilities, composition and operating guidelines of the Audit and Risk Management Committee (the Committee) as required by Section 30(2) of the *Financial and Performance Management Standard 2019*.

2. AUTHORITY

The committee has no executive powers, unless delegated to it by the Director-General.

The audit committee is a committee of the Department of Justice and Attorney-General and is directly responsible to the Director General. In discharging its responsibilities, the committee has the authority to:

- Conduct or authorise investigations into matters within its scope of responsibility.
- Access information, records and personnel of the Department for such purpose.
- Request the attendance of any employee, including executive staff, at committee meetings.
- Conduct meetings with the Department's internal and external auditors, as necessary.
- Seek advice from external parties, as necessary.

3. ROLES

The role of the Committee is to provide independent assurance and assistance to the Director-General on:

- The risk, control and compliance frameworks; and
- The Department's external accountability responsibilities as prescribed in the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019* and other relevant legislation.

The Committee does not replace or replicate established management responsibilities and delegations, the responsibilities of other executive management groups within the Department, or the reporting lines and responsibilities of either internal audit or external audit functions. The Committee will provide prompt and constructive reports on its findings directly to the Director-General, particular when issues are identified that could present a material risk or threat to the Department.

4. DUTIES AND RESPONSIBILITIES

The committee is directly responsible and accountable to the Director-General for the exercise of its duties and responsibilities. In carrying out its duties and responsibilities, the committee must at all times recognise that primary responsibility for management of the Department rests with the Director-General.

The Committee's responsibilities include:

4.1 Financial Statements

- Review the appropriateness of accounting policies adopted by the agency and ensure the accounting policies adopted are relevant to the agency and its specific circumstances.
- Review the appropriateness of significant assumptions and critical judgements made by management, particularly around estimations which impact on reported amounts of assets, liabilities, income and expenses in the financial statements.

- Review the financial statements for compliance with prescribed accounting and other requirements.
- Review, with management and the external auditors, the results of the external audit and any significant issues identified.
- Questioning and seeking full and adequate explanations for any unusual transactions and their presentation in the financial statements.
- Analyse the financial performance and financial position and seek explanation for significant trends or variations from budget or forecasts.
- Ensure that assurance with respect to the accuracy and completeness of the financial statements is given by management.

4.2 Risk Management

- Review the Risk Management framework to identifying, monitoring and managing significant risks including fraud.
- Liaise with management to ensure there is a common understanding of the key risks to the Department. These risks will be documented in a risk register which will be regularly reviewed to ensure it remains current.
- Review the effectiveness of the Department's processes for identifying, managing and escalating risks, particularly strategic risks.

4.3. Fraud and Corruption Control

- Review the adequacy of the Fraud and Corruption Policy and the effectiveness of the Department's processes for identifying, monitoring, managing and escalating significant fraud risks.
- Ongoing review and monitoring of fraud risks (as reported in fraud risk registers) and the effectiveness of control measures and mitigating treatments.
- Review Fraud Risk Management Plans and progress against the Plan.

4.4 Internal Control

- Review, through the internal and external audit functions, the adequacy of the internal control structure and systems, including information technology security and control.
- Review, through the internal and external audit functions, whether relevant policies and procedures are in place and up to date, including those for the management and exercise of delegations, and whether they are complied with.
- Review, through the Chief Finance Officer, whether the financial internal controls are operating efficiently, effectively and economically.

4.5 Performance Management

- Review the agency's compliance with the performance management and reporting requirements of the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019* and the 'Annual Report Requirements for Queensland Government Agencies'.
- Review whether the performance management systems in place reflect the agency's role/purpose and objectives (as stated in its strategic plan).
- Assess whether the agency uses appropriate benchmarks, targets and trend analysis.

4.6 Compliance

- Determine whether management has considered legal and compliance risks as part of the

agency's risk assessment and management arrangements.

- Review the effectiveness of the system for monitoring the agency's compliance with relevant laws, regulations and government policies.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.

4.7 Internal Audit

- Facilitate an effective internal audit function for the Department through consideration of the budget, staffing and skills of the Internal Audit Unit.
- Review the adequacy of the Internal Audit Charter.
- Assess and contribute to the audit planning processes relating to the risks and threats to the Department. Review and endorse the proposed internal audit strategic plan and annual plan to ensure coverage of key risks, and that there is appropriate co-ordination with the external auditor.
- Review progress against the internal audit plan, and any significant changes, including any difficulties or restrictions on scope of activities, or significant disagreements with management.
- Review the findings and recommendations of internal audit reports and responses provided by management to ensure alignment with the Department's risk management framework.
- Review the status of implementation of internal audit recommendations accepted by management and where issues remain unresolved ensure that satisfactory progression is being made to mitigate the risk associated with the audit finding.
- Ensure that there is no material overlap between the internal and external audit functions.
- Review the results of reviews of the Internal Audit Unit under the professional standards issued by the Institute of Internal Auditors. This will incorporate an external review every 5 years.

4.8 External Audit

- Consult with external audit on the proposed audit strategy, audit plan and audit fees for the year.
- Review the findings and recommendations of external audit reports and responses provided by management to ensure alignment with the Department's risk management framework.
- Oversight any issues and recommendations arising from conduct of performance audits (relevant to the Department) by Queensland Audit Office
- Review the implementation of external audit recommendations accepted by management, and where issues remain unresolved, ensure that satisfactory progression is being made to mitigate the risk associated with audit's findings.

4.9 Information Systems

- Consider the minutes of the Information Technology and Innovation Committee (ITIC) and its reporting regarding Information Security Policy IS18

In carrying out its role and responsibilities, the Committee may request information and/or reports from departmental business areas.

5. MEMBERSHIP

Members of the Committee are appointed and approved by the Director-General, following endorsement by Board of Management. Member's terms and conditions are to be disclosed in a Letter of Appointment.

When appointing members of the Committee, consideration should be given to the skill set as detailed in the Audit Committee Guidelines issued by Queensland Treasury.

Membership of the Committee is comprised as follows:

5.1 Chair

A person external to the Department – this person must possess sound communication and strong leadership skills.

5.2 Standing Members

- Two persons external to the Department (separate from the Chair). The Deputy Chair shall be appointed by committee from these members.
- Senior Officer nominated by the Divisional Head, Office of Liquor, Gaming and Fair Trading
- Senior Officer nominated by the Divisional Head, Justice Services

5.3 Observers

- Director-General
- Assistant Director-General, Corporate Services
- Executive Director, Financial Services Branch
- Director, Financial Operations
- Principal Risk Advisor, Corporate Governance Unit
- Executive Director, Ethical Standards Unit
- Director, Internal Audit
- Director, Queensland Audit Office
- Audit Manager, Queensland Audit Office

If the Chair is temporarily unable to perform assigned duties, the Deputy Chair will act as Chair.

At least one member (Chair/Standing Members) will have “financial expertise” as described in the Queensland Treasury publication, *Audit Committee Guidelines – Improving Accountability and Performance*. At least another member is to have expertise in the industry in which the DJAG operates.

External members will be remunerated by way of a fee that represents reasonable remuneration for the responsibilities of the role. Remuneration rates of external members will be approved by the Director-General. The term of appointment is for three years and can be extended for a further term subject to the composition and skill requirements of the committee. The maximum term is six years.

Internal members are appointed for a period as determined by the Director-General, but shall not be for a term not less than 2 years or more than 3 years. The term of appointment may be extended for an additional term, subject to satisfactory review of the member’s performance.

A person acting in a position which holds Committee membership is considered to be a member of the Committee for the term of the acting arrangement.

Requests by members to use proxies at Committee meetings must be discussed directly with the Chair before the meeting. All such requests require the Chair’s written approval.

Observers are invited to attend Committee meetings and provide technical and other advice to the Committee.

Departmental Staff may be requested by the committee to brief it on matters within the committee responsibilities in person or by report.

In circumstances where a member considers that they are no longer able to perform the duties of a committee member, the member should give sufficient notice before resigning. Resigning members must be provided with an opportunity to schedule an exit interview with the Chair to discuss reasons for resignation and/or to discuss any relevant committee issues before departure.

6. MEETINGS

6.1 Secretariat

Secretariat support is provided by the Internal Audit Unit.

The Secretariat is responsible for compiling and circulating the meeting agenda and meeting papers and minuting Committee meetings.

The Secretariat will coordinate the reporting of outcomes to the Board of Management.

6.2 Ethical Practices

All members must act independently and objectively as members of the Committee. In doing so, members must act in the best interests of the Department.

Members are required to declare any interests that could constitute a real, potential, perceived or apparent conflict of interest with respect to participation on the Committee. The declaration must be made on appointment to the Committee, and in relation to specific agenda items at the outset of each Committee meeting and updated as necessary.

All members are required to abide by the Queensland Government Code of Conduct.

6.3 Confidentiality

Members must observe the Information Privacy Principles (as contained in Schedule 3 of the *Information Privacy Act 2009*) during the conduct of their duties as a committee member.

Members must not publicly comment on matters pertaining to the activities of the Committee, other than as authorised by the Director-General.

6.4 Frequency and Quorum

The Committee will meet quarterly or as required by the Chair.

Additionally, a special meeting will be convened in August each year for the specific purpose of reviewing the annual financial statements.

A quorum consists of one (1) internal and two (2) external members.

The Chair may convene an in-camera session as required.

6.5 Agendas

The Committee should determine its own agenda, ensuring appropriate consultation to include emerging issues and emphasis on the most significant risks and threats.

All agenda items are to be accompanied by relevant papers. Papers are to be forwarded to the Secretariat no later than eight (8) days prior to the meeting or as advised by the Secretariat. Papers not provided to the Secretariat in accordance with this timeframe will be notated accordingly in the agenda.

The agenda and relevant papers will be distributed to members no later than seven (7) days before the meeting.

Agenda items may be considered out of session by electronic or other means. Such matters must be minuted at the next available meeting.

6.6 Minutes

All meetings are to be minuted.

The draft minutes of meetings must be distributed to all Standing Members and Observers within 2

weeks of the Committee meeting. Review and feedback on the accuracy of the minutes is required within 1 week after receipt of the minutes.

Minutes of the preceding meeting must be confirmed at each meeting, which includes a review of the action items outstanding. The Chair will approve these minutes as a true and accurate record of the meeting's proceedings.

Outcomes of the meeting will be reported to the Board of Management.

6.7 Annual Work Plan

An annual work plan is detailed in Appendix A.

7. RELATIONSHIPS

7.1 Internal Audit

The Committee shall act as a forum and examine Internal Audit's planning, monitoring and reporting processes. This process forms part of the governance structure that assists in ensuring that the internal audit function operates effectively, efficiently and economically.

The Chair and an independent member will hold executive sessions with Internal Audit at least twice per year, if required.

7.2 External audit

The Committee has no power of direction over the Queensland Audit Office, or the manner in which the external audit is planned or undertaken. However, the Committee shall act as a forum for the consideration of external audit findings and ensure that they are balanced with the views of management.

- The external auditor will have a standing invitation to attend committee meetings.
- The Chair and an independent member will hold executive sessions with external audit at least twice per year, if required.

7.3 Corporate Governance Unit

The Corporate Governance Unit assists the Director-General to comply with sections 10 and 23 of the *Financial and Performance Management Standard 2019* through its responsibility for coordinating, developing and implementing the Department's performance management and risk management frameworks.

7.4 Line management

The relationship of the Committee with line management shall focus on whether the actions proposed to address audit and risk concerns are satisfactory, cost-effective and enhance the effectiveness and efficiency with which the Department delivers its outputs and contributes to the whole of Government priorities.

8. EVALUATION OF COMMITTEE'S PERFORMANCE

The Committee will undertake an annual self-assessment of its performance for the previous twelve months at the final meeting for the calendar year. Where appropriate, the review should make recommendations for improvements.

Annually the Chair will provide findings of the self-assessment and review of the committee operations to the Director-General.

The Chair to undertake individual member assessments at least once during each member's term of office and provide each individual member with feedback on that person's contribution to the Committee's activities. This assessment may include a review of any training needs of the member.

Prior to the completion of the Chair's term of appointment, an external peer review must be conducted. A report on the external review must be provided to the Board of Management.

9. REVIEW OF TERMS OF REFERENCE

The Committee will review the Terms of Reference annually to ensure it remains consistent with the Committee's authority, objectives, and responsibilities.

All amendments to the Terms of Reference will be endorsed by the Board of Management and approved by the Director-General.

10. Definitions

'Standing Member' A specific position approved and appointed by the Board of Management as a member of the Committee. This position is expected to participate in each meeting.

'Observer' A specific position or person approved by the Chair to form part of the Committee. This officer is invited to attend and observe each meeting, however, does not possess voting rights.

Appendix A – Annual Work Plan

Ref in Terms of Reference	Key Responsibilities	Department Responsible for Area	Considerations	Qtr. 1 Jul – Sep	Qtr. 2 Oct – Dec	Qtr. 3 Jan – Mar	Qtr. 4 Apr – Jun
4.1	Financial Reporting	<ul style="list-style-type: none"> Executive Director, Financial Services Branch 	<p>Consult with Financial Services Branch, Internal Audit and QAO where appropriate in relation to the audit and review of the Department's financial statements.</p> <p>Review financial statements and management representations for endorsement by the Director-General</p> <p>Review matters affecting the content, production, planning and coordination of the annual financial statements.</p>	✓			✓
4.2	Risk management	<ul style="list-style-type: none"> Director, Financial Operation Principal Risk Advisor, Corporate Governance Unit 	<p>Review quarterly update of Risk Management Registers</p>	✓	✓	✓	✓
4.3	Fraud and Corruption Control	<ul style="list-style-type: none"> Director, Financial Operations 	<p>Review quarterly updated from DJAG Fraud and Corruption Control Action Group</p> <p>Review the adequacy of the Fraud and Corruption policy for identifying, monitoring, managing and escalating fraud risks.</p>	✓	✓	✓	✓
4.4	Internal Controls	<ul style="list-style-type: none"> Executive Director – Ethical Standards Unit (ESU) Executive Director, Financial Services Branch 	<p>Consider the quarterly updates provided by ESU</p> <p>CFO Assurance Statement</p>	✓	✓	✓	✓
4.5	Performance Management	<ul style="list-style-type: none"> Corporate Governance Unit through Director, Financial Operations 	<p>Review Annual Report Requirements for Queensland Government Agencies</p>	✓			

Ref in Terms of Reference	Key Responsibilities	Department Responsible for Area	Considerations	Qtr. 1 Jul – Sep	Qtr. 2 Oct – Dec	Qtr. 3 Jan – Mar	Qtr. 4 Apr – Jun
4.6	Compliance	<ul style="list-style-type: none"> • Yet to be determined 	<p>Consider updates from CFO, Internal and External Audit, and other sources</p> <p>Review internal audit reports</p>	✓	✓	✓	✓
4.7	Internal Audit	<ul style="list-style-type: none"> • Director Internal Audit 	<p>Review progress against Internal Audit Plan</p> <p>Review the proposed Annual and Strategic Audit Plans</p> <p>Review performance and resourcing of Internal Audit</p>	✓	✓	✓	✓
4.8	External Audit	<ul style="list-style-type: none"> • QAO Engagement Leader 	<p>Review QAO interim audit report</p> <p>Review QAO's final report</p> <p>Review and discuss QAO Client Service Plan</p> <p>Oversight findings and recommendations arising from external audits</p>	✓	✓	✓	✓
4.9	Information systems	<ul style="list-style-type: none"> • Chief Information Officer and Executive Director, Information Technology Services 	<p>Monitor Information System Developments</p> <p>Monitor and consider the implications arising from process of undertaking and reporting under the Information security policy (IS18:2018).</p>	✓	✓	✓	✓
8	Effectiveness of Audit Committee	<ul style="list-style-type: none"> • ARMC Chair 	<p>Annual assessment of the committee operations</p> <p>Reporting to the Director-General summarising committee operations for the year.</p>	✓	✓		