

Audit and Risk Management Committee Charter

1.	Background	3
2.	Purpose.....	3
3.	Roles and responsibilities.....	3
4.	Authority	5
5.	Scope of work	5
6.	ARMC Operations, Membership and Independence	7
7.	Remuneration	8
8.	Meetings and Administration	9
9.	Induction of new members	10
10.	Subcommittees	11
11.	Assessment and Review	11
12.	Document Management.....	11
13.	Document control	11

1. Background

- 1.1. The Ombudsman has established the Audit and Risk Management Committee (ARMC) in accordance with the *Standing Directions of the Minister for Finance* (SD) issued under the *Financial Management Act (FMA) 1994*, in particular sections 3.1, 3.2, 3.7 and 5.1.
- 1.2. This Charter outlines the purpose, roles and responsibilities, scope of work, composition, structure, membership, and reporting and administrative arrangements of the ARMC.

2. Purpose

- 2.1. The ARMC assists the Victorian Ombudsman as the “Responsible Body” in fulfilling her responsibilities. The primary responsibility for financial reporting, internal control, risk management and compliance with laws, regulations and ethics rests with the Ombudsman (as the “Accountable Officer”) and the Executive.
- 2.2. ARMC’s primary role is to oversee and advise the Ombudsman on matters of accountability, risk and internal controls affecting the office’s (VO) operations as outlined by the FMA and Standing Directions.
- 2.3. ARMC considers reports from the Ombudsman, Executive Management, employees and auditors to provide assurance about the integrity of VO’s risk management and financial processes, systems and reporting.

3. Roles and responsibilities

- 3.1. The ARMC provides advice and recommendations to the Ombudsman. It has no executive powers, except those that may be expressly delegated to it in this Charter or by the Ombudsman.
- 3.2. The ARMC is directly responsible and accountable to the Ombudsman for the exercise of its responsibilities. In carrying out its responsibilities, ARMC must recognise that primary responsibility for the management of VO rests with the Executive.
- 3.3. The responsibilities of ARMC may be revised or expanded in consultation with, or as requested by, the Ombudsman from time to time.
- 3.4. The responsibilities of ARMC include the following:
 - 3.4.1. Independently review and assess the effectiveness of VO’s systems and controls for financial management, performance and sustainability, including risk management
 - 3.4.2. Oversee the internal audit function under Standing Direction 3.2.2, including to:
 - 3.4.2.1. review and approve the internal audit charter

- 3.4.2.2. review and approve the strategic internal audit plan prepared under SD 3.2.2.2(b) and item 9.2.2 (below)
- 3.4.2.3. review and approve the annual audit work program prepared under SD 3.2.2.2(c) and item 9.2.3 (below)
- 3.4.2.4. review the effectiveness and efficiency of the function
- 3.4.2.5. advise VO on the appointment and performance of the internal auditor
- 3.4.2.6. meet in-camera with internal auditors if necessary.
- 3.4.3. Review annual financial statements and make a recommendation to the Ombudsman as to whether to authorise the statements before they are released to Parliament by the Ombudsman as "Responsible Minister".
- 3.4.4. Review information in the report of operations on financial management, performance and sustainability before it is released to Parliament by the Ombudsman.
- 3.4.5. Review and monitor compliance with the FMA (including the Standing Directions) and advise the Ombudsman on the level of compliance attained.
- 3.4.6. Maintain effective communication with external auditors (including the Auditor General and the Auditor-General's duly appointed agents and representatives), including by:
 - 3.4.6.1. understanding the external audit strategy and activities
 - 3.4.6.2. considering the external auditor's views on any issues, including accounting issues that may impact on the financial statements, financial management compliance issues and other relevant risks impacting VO's finances
 - 3.4.6.3. considering external audit outcomes, including financial performance audits
 - 3.4.6.4. providing a standing invitation to the external auditor to attend ARMC meetings
 - 3.4.6.5. meeting in-camera with the external auditors if necessary.
- 3.4.7. Consider recommendations made by internal and external auditors relating to or impacting on financial management, performance and sustainability and the actions to be taken by VO to resolve issues raised.
- 3.4.8. Regularly review implementation of actions in response to internal or external audits, including remedial actions to mitigate future instances of non-compliance.

- 3.5. The Committee may, at the Ombudsman's discretion, be requested to cover other matters appropriate for the consideration of such a committee.

4. Authority

- 4.1. The Ombudsman authorises ARMC, within the scope of its role and responsibilities, to have:
- 4.1.1. direct access to the internal and external auditors without Executive and/or operational management present, when deemed necessary
 - 4.1.2. direct access to the Ombudsman, the CFO and VO's management, when deemed necessary
 - 4.1.3. the right to seek explanations and additional information
 - 4.1.4. seek independent professional advice as and when required to enhance its independence and capacity to obtain a full appreciation of relevant issues.
- 4.2. The ARMC Secretariat will facilitate appropriate action in accordance with the above as required.

5. Scope of work

5.1. Performance and independence of internal audit

- 5.1.1. ARMC will oversee the activities of VO's internal audit function as set out in SD 3.2.2.1 Internal Audit Function and SD 3.2.2.2 Responsibilities:
- 5.1.2. The Ombudsman must establish and maintain, and may dismiss, the providers of the internal audit function.
- 5.1.3. The internal audit function may be sourced internally or externally.
- 5.1.4. The Ombudsman must ensure that the internal audit function:
 - 5.1.4.1. is independent of management
 - 5.1.4.2. has suitably experienced and qualified internal auditors
 - 5.1.4.3. has access to the Ombudsman, ARMC and CFO, and has sufficient information, to enable it to perform its function
 - 5.1.4.4. is subject to a protocol to manage conflicts of interest for internal auditors.
- 5.1.5. The internal audit function must:
 - 5.1.5.1. prepare and maintain an internal audit charter for approval by ARMC, which is clearly understandable and made available to VO

- 5.1.5.2. each year, prepare, maintain and implement a strategic internal audit plan based on the governance, risks and controls of VO, with a rolling period of three or four years
- 5.1.5.3. each year, prepare, maintain and implement an audit work program based on the governance, risks and controls of VO, that sets out the key areas of internal audit work for the year
- 5.1.6. in the plan under SD 3.2.2.2(b) and item 5.1.5.2 above, and the program under SD 3.2.2.2 (c) and item 5.1.5.3 above, include audits of business processes or units likely to be vulnerable to Fraud, Corruption and Other Losses
- 5.1.7. annually, provide to ARMC an independent and objective assessment of the effectiveness and efficiency of VO's financial and internal control systems, reporting processes and activities in accordance with the program under SD 3.2.2.2(c) and item 5.1.5.3 above
- 5.1.8. assist the Ombudsman to identify deficiencies in financial risk management
- 5.1.9. develop and implement systems for ensuring the internal audit function operates effectively, efficiently and is appropriate for VO's needs
- 5.1.10. apply relevant professional standards relating to internal audit
- 5.1.11. report to ARMC on the effectiveness of the internal audit function.

5.2. **Operation and implementation of the risk management framework**

- 5.2.1. The Ombudsman must ensure that VO complies with the *Victorian Government Risk Management Framework*.
- 5.2.2. In addition, the Ombudsman must ensure that VO:
 - 5.2.2.1. develops, implements and maintains documented Business continuity planning (BCP) processes consistent with the latest Australian/New Zealand standard on Business continuity or, where relevant, another Australian, international or industry recognised standard
 - 5.2.2.2. reviews and tests its BCP processes on a regular basis, but at a minimum every two years.
- 5.2.3. In support of the Ombudsman responsibilities relating to risk management the ARMC will:
 - 5.2.3.1. consider VO's risk profile and insurance arrangements
 - 5.2.3.2. review and assess the effectiveness of VO's Risk Management Framework

- 5.2.3.3. review, monitor and verify compliance with the Victorian Government Risk Management Framework
- 5.2.3.4. review the documented BCP plans and the effectiveness of regular BCP testing.

5.3. **Compliance and Reporting**

- 5.3.1. The Ombudsman must establish a framework for financial management compliance to ensure compliance with:
 - 5.3.1.1. the FMA, these Directions and the Instructions
 - 5.3.1.2. applicable Commonwealth and State laws relating to financial management
 - 5.3.1.3. applicable industry codes and standards relating to financial management.
- 5.3.2. To support the Ombudsman ARMC will:
 - 5.3.2.1. Review VO's annual assessment of compliance with all applicable requirements in the Financial Management Act (FMA), SD's and the Instructions.
 - 5.3.2.2. Oversee and review the internal audit function's annual detailed review of VO's compliance with all requirements in the FMA, SD's and the Instructions in accordance with the respective reference in the strategic internal audit plan as required by SD 3.2.2(b).
 - 5.3.2.3. Annually review the effectiveness of VO's internal compliance system.
 - 5.3.2.4. Review the Ombudsman's financial management compliance attestation prior to submission and inclusion in VO's Annual Report as required by SD 5.1.4(a).
 - 5.3.2.5. Review and monitor material compliance deficiencies and any planned and completed remedial actions and any related reporting.
 - 5.3.2.6. Assist in the review and management's recommendations related the annual financial statements and report of operations as part of VO's annual report.
 - 5.3.2.7. Review and assist with any additional reporting requirements applicable to VO including reporting on material issues to DTF.

6. **ARMC Operations, Membership and Independence**

- 6.1. In accordance with SD 3.2.1.3, the ARMC will:

- 6.1.1. Report to the Ombudsman as the "Responsible Body".
- 6.1.2. Operate in accordance with this Charter upon its approval by the Ombudsman. The Charter will be reviewed by the Ombudsman at least annually.
- 6.1.3. Be constituted by members with appropriate skills and experience to discharge the ARMC's responsibilities, with at least one member having appropriate expertise in financial accounting or auditing, as per the **ARMC skills matrix** (to be developed).
- 6.1.4. Exercise independent judgement and be objective in its deliberations, decisions and advice.
- 6.1.5. Have access to the Ombudsman, the CFO, internal auditors and external auditors in carrying out its responsibilities.
- 6.1.6. Be independent, with:
 - 6.1.6.1. at least three (3) members, the majority being independent members who are not employed by, or contractors of, VO
 - 6.1.6.2. an independent member as Chair.
- 6.1.7. Self-assess its performance annually and report this assessment to the Ombudsman.
- 6.1.8. Not include the following persons as members:
 - 6.1.8.1. Ombudsman
 - 6.1.8.2. CFO
 - 6.1.8.3. the internal auditors.
- 6.2. On the invitation of the Chair, representatives from VAGO, and elsewhere, as appropriate, may be invited to attend ARMC meetings.
- 6.3. A person acting in any of the above positions can attend meetings of the Committee for the term of the acting arrangement with the permission of the Chair.
- 6.4. Only the Ombudsman may appoint Members.
- 6.5. Members shall be responsible for ensuring their continued professional development in relation to their role.
- 6.6. The Committee may request any person it deems necessary to attend for the purpose of providing information to the Committee to assist it in performing its role.

7. Remuneration

- 7.1. Committee Members are entitled to be paid a fee for attendance at Audit and Risk Management Committee meetings. Schedule of fees is based on [Victorian](#)

[Government's Appointment and Remuneration guidelines](#), which are updated on an annual basis (Schedule C - Band 1 is applicable to VO).

- 7.2. If a Committee Member does not attend a meeting, they are not eligible to be paid a fee for that meeting. Additional fees will not be paid for preparation for meetings or travel time as this is incorporated into the meeting fee.
- 7.3. The Committee Chair is entitled to be paid a higher fee in recognition of their leadership and relationship management responsibilities.
- 7.4. *Ex Officio* members, Executive members of VO or public sector employees are not eligible to receive any remuneration.
- 7.5. Committee Members may choose to opt out of receiving payment of fees and must advise VO of this in writing.
- 7.6. Fees will be paid to Committee Members on a quarterly basis upon receipt of an invoice that includes their Australian Business Number (ABN). Fees can only be paid to an individual not a company.

8. Meetings and Administration

- 8.1. A quorum for any meeting is three (3) members including the Chairperson (or their nominee) and one other independent member.
- 8.2. Independent members are required to attend at least two (2) meetings a year or may be required to step down from the Committee at the request of the Chair.
- 8.3. Meetings shall be held not less than four (4) times a year. Special meetings may be convened as required. The forward agenda is set out in **Appendix 1** and is reset each calendar year and revised at every meeting.
- 8.4. Internal audit or the external auditors may request a meeting if they consider it necessary.
- 8.5. The agenda and supporting documentation should be delivered to Committee members at least five (5) business days in advance of each meeting.
- 8.6. The proceedings of all meetings will be minuted to reflect the decisions made by the Committee. The minutes will be provided to the Chair within five (5) business days of the meeting date.
- 8.7. The Chairperson may be invited by the Ombudsman to attend VO's Executive meetings or any other management meeting the Ombudsman considers appropriate.
- 8.8. Committee members must declare conflicts of interest annually, and any new conflicts of interest which may arise at the start of each meeting. Details of any conflicts of interest shall be appropriately minuted. Where members have a real or perceived conflict of interest, they will be excused from Committee deliberations on the issue where the conflict of interest arises.

8.9. The Committee may require staff to attend meetings and assist the Committee as required from time to time.

8.10. Secretariat

8.10.1. Secretarial support will be provided by a nominated member of VO staff. The Secretariat will be responsible for the preparation and circulation of reports, including reports relating to the meeting agenda (and supporting papers) and minuting the meetings.

8.10.2. The Secretariat will ensure that electronic copies of all relevant documents to the Committee (including agendas, papers and minutes) are kept in the VO's record keeping system.

8.11. Agendas

8.11.1. An agenda is to be prepared for meetings with relevant issues papers attached and distributed to Members at least five (5) business days prior to the meeting.

8.11.2. Agenda items may be considered out-of-session by electronic or other means, in exceptional circumstances, and should be minuted at the next available meeting.

8.12. Minutes

8.12.1. Minutes of the meeting must be forwarded to members within two (2) weeks after each meeting.

8.12.2. The minutes must record the following:

8.12.2.1. Date and location of meeting

8.12.2.2. Attendees, apologies and absentees

8.12.2.3. Out of session items

8.12.2.4. Agenda items discussed

8.12.2.5. Action items (including rationale for decisions)

8.12.3. Minutes of the preceding meeting must be confirmed at each meeting, which includes a review of the action items outstanding.

8.12.4. The Minutes must be approved by the Chair.

8.12.5. Once approved, the Minutes of the meeting will be emailed to all standing members and members in attendance and will be made available for Executive Committee meetings.

9. Induction of new members

8.1. As a form of induction, it is the responsibility of the Secretariat to provide new Members with a copy of the following documents prior to their first meeting:

8.1.1. ARMC Charter (if not already supplied)

8.1.2. Minutes of the last three meetings of the Committee.

10. Subcommittees

9.1. The Committee may create sub-committees at any time to perform specific tasks or responsibilities. Terms of Reference, membership, reporting arrangements and sunset arrangements must be specified at the time of establishment.

11. Assessment and Review

10.1. The ARMC will self-assess its own performance every year and report this assessment to the Ombudsman.

10.2. The Ombudsman will review the ARMC's performance and membership at least once every three (3) years.

12. Document Management

11.1. Document Approval:

This document was approved by the Ombudsman on 13 February 2023.

11.2. Document review:

This document is due for review upon major changes or one year from the date of the last review. Alterations to this document may be made by resolution of the Committee, except for sections two (Purpose), six (Membership) and eight (Meetings and Administration). Alterations to these sections may only be approved by the Ombudsman.

13. Document control

Version	Date	Section	Brief Description of Change
0.1	30/03/17	All	Initial draft was received with feedback from members and the chair
0.2	2/06/2017	All	Final Draft reviewed by Deputy Ombudsman and sent out for final comment
1.0	29/6/2017		Approved by the Ombudsman
2.0	25/10/2018	All	Document cross referenced with SD and duplicated sections removed. Appendix 1 updated.
3.0	February 2022	All	Annual review of Charter for COO approval
3.1	14 February 2022	All	Updated Charter for Executive Committee approval

Version	Date	Section	Brief Description of Change
3.2	2 March 2022	All	Approved by ARMC for approval by Ombudsman.
3.3	15 March 2022	All	Approved by Ombudsman.
4.0	2 November 2022	Section 7	Addition of section relating to Remuneration for Members.
4.1	21 November 2022	Section 7	Approval by Executive Committee (and Ombudsman)
	30 November 2022	Section 7	Noted by ARMC.
5.0	25 January 2023	All Sections	Updates include addition of a skills matrix and minimum attendance at meetings and addition of 2023 Forward Agenda at Appendix 1.
	13 February 2023		Approved by Executive Committee (and Ombudsman)
	22 February 2023		Noted and approved by ARMC.

Appendix 1 – ARMC 2023 Forward Agenda

Meeting Number		1	2	3	4	5
Meeting Date		22-Feb-23	26-Apr-23	26-Jul-23	13-Sep-23	29-Nov-23
Meeting Time		10am - 12pm	10am - 12pm	10am - 12pm	10am - 12pm	10am - 12pm
Audit and Risk Management Committee Governance						
Confirmation of the minutes of the previous meeting	Charter					
Review action items brought forward from the previous meetings	Charter					
Declare conflicts of interest	Charter & SD 3.2.1.3 (d)					
Review Committee Forward Agenda	Charter					
Review of Committee member register of interests (Annual)	Charter & SD 3.2.1.3 (d)					
Review of ARMC Charter (Annual)	Charter & SD 3.2.1.3					
Review Committee Performance Self-assessment (Annual)	Charter & SD 3.2.1.3 (g)					
Financial Reporting						
Review of Financial Performance since last meeting	Charter & SD 3.2.1.1					
Review of Procurement Exemptions (as required)	Charter & SD 4.2.1					
Review of Annual Budget	Charter & SD 3.2.1.1 (a)					
Review Annual Financial Statements and associated reports (for recommendation to the Ombudsman)	Charter & SD 3.2.1.1 (c)					
Performance Reporting						
Ombudsman Update	N/A					
Review External BP3 Reporting Dashboard	Charter & SD 2.2 (1)					
Annual Strategic Plan	Charter					
Review progress against Strategic and Annual Plan	Charter & SD 2.2 (1)					
Review VO Internal KPI Performance	Charter					
Review P&C Metrics Report	Charter					
Review Annual People Matter Survey Results	Charter					
Risk Management Oversight of Systems and Internal Controls						
Review Risk and Governance Report	Charter & SD 3.2.1.1					
Review VO Risk Management Framework (Annual)	Charter					
Review Incident Management Register	Charter & SD 3.4.(g) & 3.1.1(a)					
Review Gifts, Benefits and Hospitality Register	SD 3.4.2.1(i)					
Review Executive Travel Register	SD. 3.4.6.2(a)					
Review Sponsorship Register	N/A					
Business Continuity Plan and testing and training schedule	Charter & SD 3.7 (a) & (b)					
Review Policy Framework and Register (Annual)	Charter & SD 3.2.1.1 (a) & 3.2.1.1 (i)					
Review Governance Framework (Bi-ennial)	N/A					
Compliance						
FMA Compliance Report and Attestation (Standing Directions)	Charter & SD 3.2.1.1 (e)					
Annual Assessment of Compliance with the FMA and Standing Directions (for recommendation to the Ombudsman)	Charter & SD 3.2.1.1 (e)					
Review of Compliance Framework and Register	Charter					

Meeting Number		1	2	3	4	5
Meeting Date		22-Feb-23	26-Apr-23	26-Jul-23	13-Sep-23	29-Nov-23
Meeting Time		10am - 12pm	10am - 12pm	10am - 12pm	10am - 12pm	10am - 12pm
External Audit						
Review Draft External Audit Strategy/Plan	Charter & SD 3.2.1.1(g) (i)					
Review Final External Audit Report and any recommendations or findings (for recommendation to the Ombudsman)	Charter & SD 3.2.1.1 (g) (iii)					
Internal Audit						
Appointment of Internal Auditor (as required)	Charter					
Review Internal Audit Charter (on appointment of new auditors)	Charter & SD 3.2.1.1 (b) (i)					
Develop Strategic Internal Audit Plan (Annual)	Charter & SD 3.2.2.2, 3.2.1.1(b)(ii) & 5.1.3 (c)					
Develop Annual Internal Audit Plan/Work Program	Charter & SD 3.2.2.2 & 3.2.1.1(b)(iii)					
Review Internal Audit performance (Annual)	Charter & SD 3.2.1.1(b)(iv)					
Review progress against Strategic Internal Audit Plan	Charter					
Review Internal Audit reports and findings/recommendations	Charter					
Review implementation of Internal Audit Recommendations (Compliance to Date Report)	Charter 7 SD 3.2.1.1(f), 3.2.1.1 (h) & 3.2.1.1 (i)					
Other Business/Updates						
Minutes from Executive Committee Meetings	N/A					
VO Published reports	N/A					
Presentations	N/A					

Key:

	Scheduled
	Rescheduled / delayed
	Not scheduled
SD	Standing Directions Reference